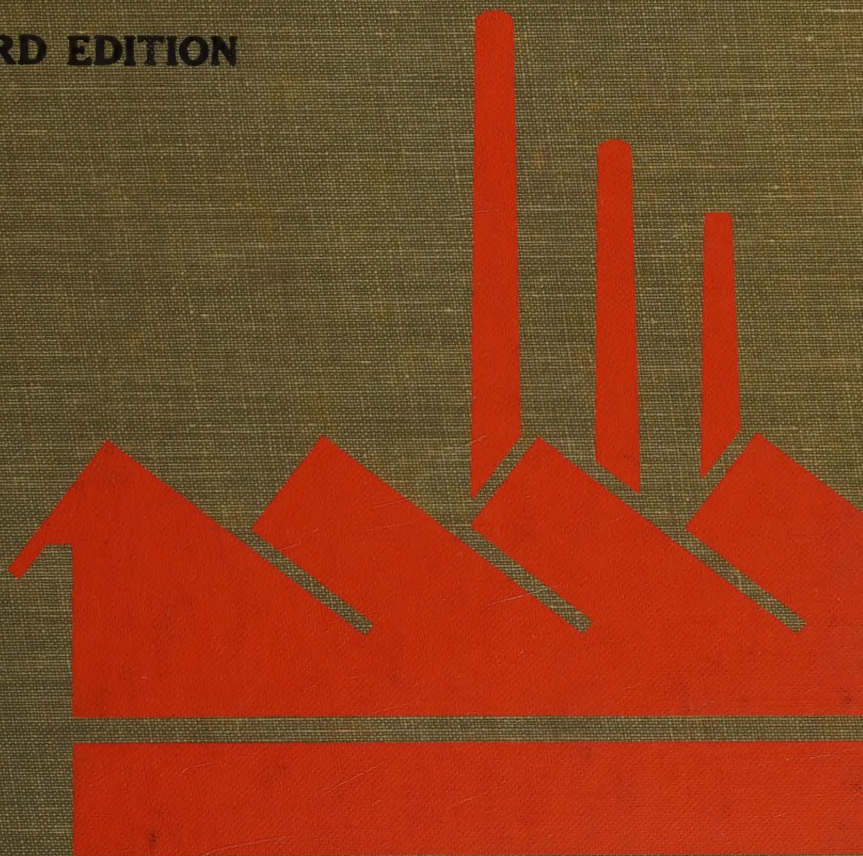


LABOR ECONOMICS

THIRD EDITION



CHESTER A. MORGAN

MILLS MEMORIAL LIBRARY
ROLLINS COLLEGE

7,50
UD

**LABOR
ECONOMICS**



Digitized by the Internet Archive
in 2023 with funding from
No Sponsor

LABOR ECONOMICS

CHESTER A. MORGAN

Professor of Economics
The University of Iowa

Third Edition
1970



Business Publications, Inc.
Austin, Texas

Irwin-Dorsey Limited, Georgetown, Ontario

© THE DORSEY PRESS, 1962 AND 1966

© BUSINESS PUBLICATIONS, INC., 1970

ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

Third Edition

First Printing, March, 1970

Library of Congress Catalog Card No. 71-105541

Printed in the United States of America

For *Ferne*, *Marsha*, and *Gary*

PREFACE

In the first edition of this book (1962) I stated that it was my intent to contribute a more logical and coherent organization of the materials typically present in a labor economics text—an objective which, if attained, would be the result of a decade of experimentation in my own classes. The reception of this format in the market was gratifying, so it was retained for the second edition (1966) and is likewise being retained for this, the third edition.

Following Part I, in which are introductory materials defining the scope of the book and the technical labor force terminology used throughout the volume, the student is led through Part II to a close analysis of the peculiar economic problems of the industrial nation's labor markets as well as to a careful consideration of major economic insecurities facing the employee. The natural and inevitable conflict between employees' and employers' interests in the problems and insecurities is also presented. In Part III the evolutionary development of the two primary labor market institutions is traced, and it becomes apparent that these institutions—the labor union and the bargaining associations of employers—are devised by the two vested interest groups with the primary purpose of resolving labor market problems and insecurities in line with their respective interests insofar as possible. The institutionalization of the labor market is seen as completed in Part IV as the role of governmental agencies in the market crystalizes and is attested to by the mounting volume of labor legislation. Finally, the problems posed for society by the labor market institutions as they play their roles are discussed in Part V, as well as society's attempts to insure a maximum amount of interinstitutional cooperation within the labor market which is vital to the maximization of the national product.

Within this tested organizational framework I have updated and refined wherever possible the topics, tables, and figures contained in the two previous editions. I have also added many new topics of current interest and concern. While manpower economics is not formally treated under that heading, all the major aspects of manpower economics are dealt with in some portion of this third edition. More space has been

devoted to disadvantaged groups of the nation: nonwhite employees; female employees; poverty-stricken groups; and the nation's youthful labor force members. Many new studies which have appeared since 1966 are cited and/or discussed.

For many of the qualitative improvements found in this edition, I am indebted to suggestions made by some of those who have been using this text in their classes. I am especially indebted to two able labor economists who read the entire manuscript and offered many helpful corrections and suggestions: Professor Paul T. Hartman of the University of Illinois and Professor Joseph Krislov of the University of Kentucky. As in the two preceding editions I accept full responsibility for any errors or ambiguities which may still stubbornly remain within the pages of this book.

Iowa City, Iowa
March 1, 1970

CHESTER A. MORGAN

CONTENTS

PART I

Introduction _____ 1

1. Labor Economics: Definition, Scope, and Approach 3

Labor Economics Defined. Importance of Labor Economics. Approach to Labor Economics. Obstacles. Content of the Course. Outline of Book. Summary.

2. Labor Force Concepts and Trends 14

The Labor Force. Sources of Labor Force Data. Labor Force Composition. Labor Force Participation Rates. Industrial Distribution of Employed. Occupational Distribution of Employed. Other Shifts in Employment. The Working Class: Composition. Working-Class Sources. Resulting Characteristics. The Labor Market: Definition. Industrialization and Labor Markets. Summary.

PART II

Economic Problems of the Industrial Labor Market _____ 49

3. Nature and Theory of Wages 51

Wage Theory Prior to 1890: Subsistence Wage Theory. Wages Fund Theory. Wage Theory since 1890: Marginal Productivity Theory. Bargaining Theory of Wages. Present Status of Wage Theory. Summary.

4. Short-Run Wage Determination 83

Wage Determination in Organized Markets: Pigou's Range Theory. Determinants of Bargaining Limits. Union Bargaining Arguments. Wage Determination in Unorganized Markets. Relative Wage Rates. Governmental Influence. Summary.

5. Significant Wage Trends	111
Trends in Money- and Real-Wage Levels. Wages and National Income. Shifts In Wage Structure Differentials: <i>Occupational Differentials. Interindustry Differentials. Geographic Differentials. Age, Sex, and Race Differentials.</i> Changes in Wage Composition. Incentive Wage Plans. Trends in Wage Adequacy. Other Wage Trends. Summary.	
6. The Problem of Working Hours	153
Historical Developments: <i>Working Hours, 1850–90. Working Hours, 1890–1920. Hours, 1920–69. Arguments Utilized.</i> Observations of Hours Trends. Economic Aspects of Hours: <i>Forces Initiating Hours Cuts. Future of Working Hours: National Preference for Leisure. Policies of Labor Unions. Developments in Productivity. Legislative Influence. Cyclical Fluctuations. International Relations. Leisure-Oriented Society?</i> Summary.	
7. Working Conditions	191
<i>Physical Conditions. Apprenticeship. Work Pace. Resistance to Technological Change. Worker Advancement and Security. Jurisprudence and Discipline.</i> Summary.	
8. Employment Insecurity: Costs and Causes	220
<i>Nature of Employment Insecurity. Costs of Employment Insecurity. The Unemployed. Extent of Unemployment: Normal Unemployment. Duration of Unemployment. Causal Classification of Unemployment: Frictional Unemployment. Seasonal Unemployment. Technological Unemployment. Structural Unemployment. Cyclical Unemployment. Incidence of Cyclical Unemployment.</i> Summary.	
9. Employment Theory	256
Nineteenth-Century Theories: <i>Say's Law of Markets. Mid-Nineteenth-Century. Underconsumption Theories. Jevons' Sunspots.</i> Summary. Twentieth-Century Theories: <i>Theory of Innovations. Psychological Explanations. The Monetary Approach.</i> Summary.	
10. Employee Insecurity Relating to Age and Occupational Hazards	284
Economic Insecurity and the Aging Process: <i>Some Pertinent Population Trends. Other Facets of the Problem. Older Workers as Employees. Causes of Old-Age Dependency.</i> Employee Insecurity and Industrial Accidents: <i>Industrial Injury Defined. Measurement of Industrial Accidents. Trend in Industrial Accidents. Industrial Trends. Costs of Industrial Accidents. Causes of Industrial Accidents.</i> Em-	

ployee Insecurity and Occupational Disease: *Occupational Disease Defined. Causes Classified. Costs.* Summary.

PART III

Resulting Institutional Developments _____ 311

11. Theory of Labor Movements 313

English and European Labor Theorists: *Adam Smith. Karl Marx. Lasalle, Sorel, and Lenin. The Webbs. George D. H. Cole. Summary.* Labor Theorists of the United States: *Robert F. Hoxie. John R. Commons. Frank Tannenbaum. Selig Perlman. Other Theorists of the United States. Summary of American Theories.* Conclusions.

12. Growth of the Labor Movement of the United States 337

Base of the Pyramid, 1792–1849: *The First Unions. Early Labor Political Action. Resurgent Unionism. The Utopian and Cooperative Digressions.* The Heart of the Labor Movement Pyramid, 1850–65. The Apex of the Labor Pyramid, 1866–1955: *Amalgamations. Federation. Federation Schism—Industrial Unionism.* Factors in the Growth of Unionism: *Causal Factors of Growth.* Modern Characteristics and Trends: *Type of Organization. Diffusion of Membership. Union Power Centers. Unions and Government. Union Leadership. The Union Membership. Labor Movement Unity.* Summary.

13. Union Structure and Government 373

Structure and Government of the Individual Union: *The Local Union. The National or International Union. Government. Control over Local Unions. Services to Local Unions. National Union Headquarters.* Comprehensive Union Government: *Structure of the AFL-CIO. Functions or Services of the AFL-CIO. City and State Organizations. Minor Federations.* Financial Aspects of Unionism: *Sources of Union Revenue. Union Expenditures. Accounting for Union Funds.* Unions and Democracy: *What Is Union Democracy? Congressional Findings. Other Findings.* Unions and Corruption: *McClellan Committee Report. Union Moves against Corruption.* Summary.

14. Growth of Employer Bargaining Associations in the United States 406

History of Employer Associations: *Beginnings. From the Civil War to World War I.* Classification of Associations: *Functional Classification. Structural Classification. Geographical Classification.* Association Government and Finance: *Special Problems.* Extent of Association Bargaining. Intrafirm Organization for Collective Bargaining. Summary.

15. Internal Activities of Bargaining Agents: Collective Bargaining	429
Primary Internal Activities: <i>Primary Activity of Labor Unions. Primary Activity of the Employer. Employers and Unions. Culmination of Bargaining.</i> Secondary Internal Activities: <i>Secondary Activities of Labor Unions. Secondary Activities of Employers and Associations.</i> Results of Internal Activities: <i>Contract Terms Classified. Industrial Government.</i> Summary.	
16. Industrial Government and Institutional Security	470
Managerial Prerogatives versus Union Rights: <i>Prerogatives Defined. Historical Perspective. Evaluation and the Future.</i> Union Security: <i>Threats to Union Security. Formal Union Security Devices. Prevalence of Union Security Forms. Attitudes toward Union Security. Pro and Con Arguments.</i> Summary.	
PART IV	
Political and Legislative Outgrowths	505
17. External Activities of Bargaining Agents: Political, Legislative, Relational	507
Political Activities: <i>Political Activities of Unions. Employers and Associations.</i> Legislative Activities: <i>Analysis of Legislative Activities.</i> Public Relational Activities: <i>Public Relational Activities of Unions. Public Relations of Employers and Associations.</i> Summary: Objectives of External Activities.	
18. Evolution of Labor Relations Law in the United States	538
Federal Labor Relations Legislation: <i>The Common-Law Era, 1790–1890. The Antitrust Law Period, 1890–1931. Bonafide Labor Relations Law, 1932 On.</i> State Labor Relations Legislation: <i>Anti-Injunction Laws. Little Wagner Acts. Little Taft-Hartley Laws. "Right to Work" Laws.</i> Summary.	
19. Substantive Labor Law in the United States	577
Wage Legislation: <i>Minimum-Wage Legislation. Methods of Wage Payment Laws.</i> Working Hours Legislation: <i>Federal Legislation. State Legislation.</i> Working Conditions Legislation. Laws Protecting Unorganized Minorities: <i>Child Labor Legislation. Laws Protecting Women as Employees. Racial Minorities and FEPC Laws.</i> Economic Security Legislation: <i>Compensation for Industrial Accidents. Unemployment Compensation. Retirement Benefits Legislation. Sickness and Disability Legislation. Observations on Security Legislation. The Negative Income Tax.</i> Miscellaneous Laws of General Interest. Summary.	

PART V**Conclusion**

 621**20. Roles of Labor Market Institutions in the Mature Industrial Economy—A Recapitulation** **623**

The Role of Labor Organization: *Economic Aspects of the Union's Role. Political Aspects of the Union's Role. Social Aspects of the Union's Role. Economic Problems Posed by Labor Organizations.* Role of the Employer and Employers' Associations: *Economic Aspects of the Employer's Role. Political Aspects of the Employer's Role. Economic Problems Posed by the Employer.* The Role of Government: *Economic Aspects of Government's Role. Problems Posed by Government's Role.* The Problem of Interinstitutional Cooperation: *History of Interinstitutional Cooperation. Future Possibilities.* In Conclusion.

Indexes

 647

Author Index 649

Subject Index 653

Introduction

Part I sets the stage, figuratively speaking, for the drama which is to unfold in succeeding parts of this volume. Thus, in Chapter 1 the discipline is defined, and the preferable approach to the study of labor economics is discussed. The initial chapter concludes with a statement relative to the scope and outline of the book.

Chapter 2 is occupied with a clarification of basic terminology which will be used throughout the text. Various labor force concepts are analyzed, as well as some of the significant shifts and developments which have been emerging within the labor force during the twentieth century. Finally, an abbreviated discussion of the so-called “working class,” or “labor,” is included in Chapter 2 in an attempt to learn something of the nature and origins of this large and complex group as it exists within the United States.

LABOR ECONOMICS: DEFINITION, SCOPE, AND APPROACH

In order for the student to grasp at an early stage something of the nature of the scope and limits of the discipline in question, this initial chapter defines the subject matter commonly called labor economics; discusses the most desirable approach to the study of labor economics; and presents an outline of the materials to be covered.

Labor Economics Defined

Labor economics is a subdivision of economics, which, in turn, is one of the social sciences. This family of academic disciplines which encompasses history, political science, sociology, psychology, economics, and other areas of study is primarily concerned with the several aspects of collective human behavior. The social science division known as economics deals with that phase of human behavior which is related to the allocation of resources in the production and distribution of economic goods for the satisfaction of man's material wants. Labor economics, as one of many subdivisions of economics, focuses its attention upon the economic aspects of the problems, insecurities, and institutional developments associated with labor and the labor market.

The term *labor* is used in various ways in this book as well as in other writings. In some instances, *labor* refers to one of the primary factors of production and, as such, includes all mental and physical effort expended in the production of goods and services. At other times an abbreviated term, *labor*, will be used to designate a segment of the factor of production which is sometimes referred to as the "working class." When used in this sense, *labor* includes certain groups possessing common characteristics, among which are the following: such persons depend upon other persons, firms, or agencies for their employment; they work with equipment furnished by the employer; they take direction in

their work from superiors; and they are relatively low on the nation's income scale. With these characteristics as a guide, certainly all wage-earning production workers in industry would be included in the term *labor*. As of January, 1969, unskilled, semiskilled, and skilled production workers plus farm labor amounted to about 28,258,000. Many labor economists would also include within the term *labor*, when used as a synonym for "working class," private household employees, most employees of service establishments, and most nonsupervisory white-collar employees. These groups, as of January, 1969, would add about 26 million more persons to the *labor* category. Thus, perhaps 54 million or more persons would be encompassed by this abbreviated category of *labor*. While some would object to the inclusion of nonsupervisory white-collar workers with labor, there are many evidences that with the passage of time, this group has been drawn steadily closer to the manual worker category as to predominant characteristics. Thus, the increased mechanization of both the shop and the office has gradually converted production and white-collar workers alike to the role of semiskilled machine operators. As a result of this and other developments, the dissimilarities between nonsupervisory white-collar workers and their counterparts on the assembly line have tended to become more apparent than real, and are more apt to be found in the socio-psychological realm as opposed to the economic realm.

While the social science area of investigation is divided and subdivided for purposes of detailed and microscopic classroom analysis, it should be at once apparent to the student that such compartmentalization does not exist in actuality. Hence, while the *economic* aspects of various phenomena will be emphasized in this book, it soon becomes obvious with a little introspection that these phenomena also possess sociological, political, psychological, and historical facets. In fact, serious students of labor economics often find themselves borrowing, consciously or unconsciously, from the several disciplines resident in the social science family in their study of labor relations problems. For a complete understanding of labor economics, the student must strive constantly to relate and integrate the various contributions which the major divisions of the social science family have made. This process of synthesis is one of the more difficult tasks faced by the social science student.

Importance of Labor Economics

The value of a knowledge of labor economics in the middle of the twentieth century on the part of future industrial and political leaders in an industrial economy would seem to be almost too obvious to belabor. Neither would it be amiss to assume that the general citizen in such a society could utilize a knowledge of labor economics in carrying out his

civic responsibilities. Many serious students of labor economics would probably be found to be in agreement with the late Professor Slichter, who placed the problem of labor relations among the most important economic problems which confront the typical industrial nation.¹ It is conceivable that the economic stability and growth of such a nation may depend in large measure upon the degree of success which it experiences in coping with its labor relations problems. Problems of this magnitude require a thorough, scientific approach in their solution or amelioration. It is highly essential, therefore, that tomorrow's leaders of business, industry, and government be thoroughly grounded during their years of formal training in the basic knowledge which disciplines such as labor economics can help provide. Consequently, it is no mere coincidence that most colleges and universities within the United States and in other industrial societies offer academic work today in labor economics and related areas of study.

More specifically, the student should be deeply interested in a course in labor economics because he either already is or soon will be a part of the nation's labor markets—either as an employee or as a part of the employer/management segment. A knowledge of how the labor market and its institutions behave could be vital to the student for most of the rest of his life. From the voting citizen's standpoint a course in labor economics will serve to emphasize and explain such important issues as the efficient allocation of human resources as well as the distribution of income among them. Related to such issues might well be a very pertinent issue to many mature societies today, namely, that of possible controls which might be imposed by society on the level and even the distribution of money income. Even this limited discussion should cause the student to realize that the materials covered in a course such as this will be quite close to him all through his life as he assumes and plays his chosen role in the economic life of the nation.

Approach to Labor Economics

If labor economics or any other subdivision of the social sciences is to merit the "science" label, it follows that the student's approach to the subject should be as scientific as possible or in accord with the so-called "scientific method" of investigation. Three major steps are typically associated with the scientific method: (1) gathering and classifying all available, pertinent factual data, (2) forming *tentative* conclusions based upon an objective study of the facts at hand, and (3) testing and retesting the tentative conclusions over time and under varied conditions

¹ Sumner H. Slichter, *The American Economy* (New York: Alfred A. Knopf, Inc., 1948), p. 26.

in order to prove their validity or invalidity. Those few tentative conclusions which survive tests over time may be designated as economic laws or principles; those whose validity cannot be substantiated are discarded. Because of the nature of an area such as labor economics, there should be added to the above three-step approach the process of setting up hypotheses or suppositions as starting points which will later be rejected or retained as investigation warrants. Tools of research available for the social scientist include both the tool of logic and that of mathematics. The latter tool has been increasing in importance in most of the social sciences in recent decades with much facilitating help since World War II from the accumulating electronic data-processing and computing equipment with its ever-growing sophistication and complexity. Finally, the tool of statistics and the varied manipulations of statistics which are used by the statistician today greatly enlarge the repertoire of approaches available to the labor economist.

Several implications for the student may be drawn from the abbreviated explanation of the scientific method just noted. In the first place, the scientific student should cultivate the ability to isolate himself from any preconceived ideas or prejudices which may have arisen because of his particular environmental background. Second, the student should try to keep his emotions from influencing his objective judgment, a difficult task in labor economics. Third, it is highly essential that the student of labor economics maintain an open, inquisitive, and discriminating mind capable of accepting new ideas or conclusions which may contribute to the development of knowledge in this area of study. By the same token, the labor economist does not hesitate to discard old, obsolete conclusions as their inadequacy is demonstrated by the disclosures of scientific investigation. This is not to say that the student should gullibly accept all new ideas or propositions merely because of their newness, since such rash and nondiscriminating judgment would retard rather than advance the subject at hand.

Obstacles

It soon becomes apparent to the student of labor economics (and of other social sciences) that many obstacles beset him, to a degree not experienced by the student of the physical or natural sciences. Thus, the social scientist has no standardized laboratory in which to work. His laboratory might be said to be the national economy in which he is conducting his research. No two of these quasi laboratories are on the same level of development at a given time, nor have they passed through the same developmental stages in arriving at their present level. Therefore, an experiment in the area of labor relations which works satisfactorily in one society may prove to be totally unworkable in another

economy because of certain historical and/or environmental characteristics.

The social scientist is further handicapped by the fact that since he works in the area of human behavior, he is incapable of performing the crucial experiments so common and essential to the physical or natural scientists. Human entities cannot be brought into a laboratory and observed under a microscope or within a test tube. It is almost impossible, furthermore, to include possible human behavior within the confines of a mathematical formula. The virtually unpredictable processes of the human mind and intellect make predictions of human behavior extremely tenuous.

The labor economist may be even more seriously handicapped in certain respects than some of his fellow social scientists. For example, the labor economics area of study is one of the younger of the social science subdivisions and is consequently lacking in many essential factual data upon which to base conclusions. Further, the labor economist works in a highly emotional setting. Nearly all of his conclusions appear to impinge upon the vested interests of either employers or employees in the industrial economy, with resultant emotional outbursts against his findings.

A final obstacle confronting all social scientists in greater or lesser degree is the fact that the language used in such disciplines resembles that used by the average layman. This, plus the fact that many problems investigated by the social scientist are quite close to the layman, often leads the latter to suggest pat remedies and hastily concocted solutions to problems such as those in the area of labor relations with seeming confidence and glibness regardless of his lack of training. The same individual would not think of proposing solutions to the problems of the nuclear physicist, for example, whose language and problems are farther removed from the layman.

A consideration of the obstacles which beset the would-be social scientist in his analyses may lead to the conclusion that labor economics can never become as nearly exact a study as mathematics or physics. Such a conclusion is correct, but it should be tempered by the realization that other studies are not perfectly exact, either. Nevertheless, many students in the area of labor economics may be tempted to resign themselves pessimistically to the uselessness of even trying to apply the scientific method to a discipline such as this. Fortunately, however, there are increasing numbers of serious students who take a more optimistic view of the situation based upon the major assumption which has long sustained the social scientist, namely, that his area of study will yield to rational analysis and that the scientific approach is always to be preferred to an irrational approach, even granting that perfect exactness is never going to be realized. As a result, much progress has been made by labor economists over past decades in all industrial nations. With the ever-in-

creasing volume of empirical data which is being collected and the growing number of scientific students being graduated by colleges and universities in this area, it is reasonable to conclude that still further progress awaits those who labor painstakingly in the discipline at hand. Consequently, it may be anticipated that labor economics will yield a higher degree of exactness in the future than it has been capable of producing in its relatively short past.

One final admonition is in order before leaving the section on the approach to labor economics. This is to the effect that the true social scientist in the area of labor economics seeks to *understand* more fully the phenomena which he studies and investigates. Thus, he tends to devote little time to debating the ethical "rightness" or "wrongness" of the phenomena under investigation, preferring to leave value judgments aside as much as possible. As a result, space will not be devoted in this book to argumentation over such questions as the desirability or undesirability, per se, of labor unions and employers' associations. Rather, these institutions will simply be accepted as part of the institutions which inevitably accompany industrialization; and concentration will center upon learning more about such entities—why they develop, how they operate and why, and what some of the economic impacts of said institutions have been or may be. It should be noted in passing, however, that the social scientist must inevitably engage in some value judgments because of the nature of his areas of study. His intent is to minimize the subjective and to maximize the objective at all times.

Content of the Course

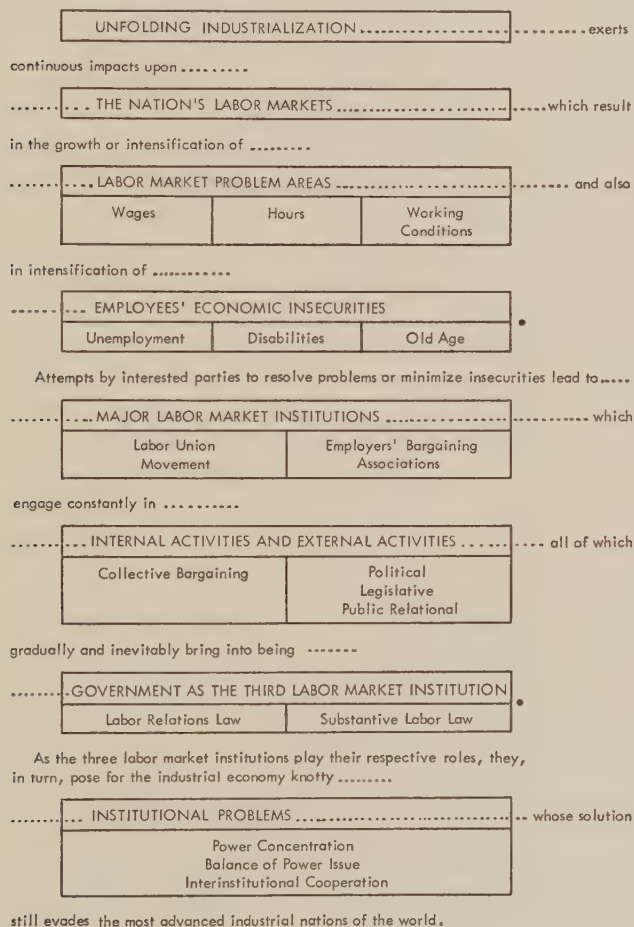
The principal thesis of the course of labor economics as herein presented is that the revolutionary developments within the labor market attributable to industrialization and mechanization have given rise to certain evolutionary trends which merit investigation. Thus, this text will range over an investigation of crucial problem areas existing in the realm of labor relations, an analysis of major labor insecurities found in the industrial economy, and a study of resulting organizational, legislative, and economic developments which commonly emerge in the industrial nation. (See Figure 1-1.)

In the wake of industrialization, certain problem areas arise in labor/management relationships within the factor market which did not exist in the agricultural society. As production methods have shifted from those based upon the individual or the small group to those involving increasingly large-scale cooperative efforts of large groups, problems such as wages, hours, and working conditions have assumed such different magnitudes from those found in the agricultural society that vastly different approaches must be found for their solution. In each instance

the individual employee has seen his control shrink and give way to decisions of the large group and even of society itself.

The process of industrialization, through its impacts upon the labor market, has also been instrumental in either introducing or intensifying

Figure 1-1 Sequence of developments making labor economics a major area of study



certain insecurities of labor. The solution or minimization of these resulting insecurities is highly desirable from the standpoint of the individual and of the society as well. Thus, while employment security in the agricultural society depends largely upon the individual's ability and desire to work—subject, of course, to interruption by adverse weather, pests, or wars—as such a society industrializes, the individual's employment security becomes increasingly dependent upon forces beyond his

control. He may be just as capable this week as last and just as desirous of working this week as last, only to find himself subject to a layoff this week because the gears of the economic system are not meshing sufficiently to assure full employment. By the same token, the insecurity of the industrial worker which stems from the aging process has been intensified by industrialization of the society. High-speed machine production, coupled with earlier and compulsory retirement policies and increasing life expectancy, has resulted in an expansion of the period of retirement for the individual in the industrial economy, a period in which some source of economic goods must be found if life is to continue to be sustained. Insecurity of the industrial employee flowing from exposure to industrial accidents and occupational diseases is also attributable to the shifts in production methods and materials ushered in by technological developments which are a part of unfolding industrialization.

Out of the revolutionary changes occasioned in the labor market by industrialization has emerged an increasingly *collective* approach to the determination of wages, hours, and working conditions as well as in the minimization of major economic insecurities. Thus, within every industrial nation, there has been eventually—and, seemingly, inevitably—a parallel development of a labor union movement on the one hand and an employers' association movement on the other. Both of these institutions initially arise to facilitate collective bargaining in the labor market. Soon, however, both institutions turn to the political and legislative arena for further collective action in their respective interests. Out of all this organizational development and the mass of collective action which follows emerge compromise settlements in the area of labor relations as well as in the handling of major economic insecurities—compromise which is seen not only in the wording of labor agreements but also in the labor legislation which accumulates over time. This ever-growing body of legal enactments has taken two forms: *labor relations* law, which sets the legal framework within which collective bargaining is carried on; and *substantive* labor law, which deals with the substance or subject matter of collective negotiation, such as wages, hours, and working conditions. Thus, government becomes the third institution in the nation's labor markets and the *institutionalization* of the once individualistic labor markets is complete.

The dominant organizational entities, whether bargaining on the economic front within the labor market or acting to further legislative and political aims, constantly strive to bring about a resolution of labor relations problems and a minimization of economic insecurities in accord with the particular interests and philosophies of the respective groups. Thus, the nation, while in the process of industrializing, has been simultaneously acquiring the institutions of the industrial society. Since the

problems and economic insecurities of an industrial society differ from those of an agricultural society, so also will the institutions for coping with these problems be found to differ. Individualism and small-group production and responsibility, so characteristic of the agricultural economy, are replaced for the most part in the industrial nation by collectivism and large-group production and responsibility in the major sectors of the economy. If this developmental process and its ultimate results were to be found only in an isolated industrial nation or two, it might be concluded that the development was a product of some peculiar quirk in the nation's background. Since essentially the same or highly similar developments are found to have taken place in virtually all free enterprise industrial nations, it must perforce be concluded that these changes are to be expected whenever and wherever a given region decides to industrialize. It would seem, therefore, that any nation desiring the material gains and advantages associated with industrialization must also expect the economic problems, insecurities, and institutional developments which inevitably follow in the wake of industrialization.

Finally, it should be noted that the industrializing process is not finished. It continues to unfold and to exert new impacts on the labor markets. With these inevitably will come new institutional developments for coping with the constantly changing economic problems and insecurities of the nation's labor markets.

Outline of Book

In accord with the scope of the subject matter of the economics of labor as briefly traced above, various sections of this volume will be devoted to certain major areas. Thus, following the introductory material found in Part I, the chapters in Part II will be concerned with the major economic problems of the labor market. Included among these problems will be wages, hours, working conditions, employment insecurity, and the insecurities associated with aging and industrial disability.

Part III will involve an analysis of the institutional developments which emerge in an industrial society as a result of the problem areas discussed in Part II. Therefore, in this section, theories of the labor movement will be dealt with, as will also the growth and structure of the labor movement of the United States. Attention also will be directed in this section to the growth and development of the employers' association movement in this nation. Final chapters in Part III will analyze the *internal* activities of the bargaining agents, as well as the problems of institutional insecurity posed by the issue of managerial prerogatives versus the bargaining rights of labor unions.

Part IV will be occupied with an investigation of the *external* activities of the bargaining agents in the areas of political action, legislative

action, and public relations. The end product of such external activities is the vast body of labor relations and substantive labor law, the evolution of which in this country is traced in this section of the book.

Finally, Part V will make an attempt to assess the roles played in an industrial economy by the major institutions of the labor markets in such a nation: labor unions, employers' associations, and the government. Some attention will be directed as well to the overall problem of interinstitutional cooperation in the production process, with special reference to its current status and future prospects.

SUMMARY

Labor economics, that subdivision of economics which focuses its attention on the economic aspects of the problems, insecurities, and institutional developments associated with labor, is a highly important area of study for industrial leaders, political leaders, and general citizens of an industrial economy. Future economic stability and growth of such an economy may well depend upon the success with which its efforts to cope with its labor relations problems are crowned. The preferable approach to the study of labor economics is that which stresses objectivity and scientific procedures, even though labor economics, along with other social sciences, faces many obstacles in this connection. This book is based upon one major proposition: that the impacts of industrialization upon a nation's labor markets produce or intensify certain economic problems and insecurities, which, in turn, give rise to certain institutional developments. The end product of these developments is a vast body of labor agreements and labor legislation in which compromise approaches to the peculiar economic problems and insecurities of the industrial society are evident and through which they are effectuated.

DISCUSSION QUESTIONS

1. What are some subdivisions of economics besides labor economics? How does labor economics contribute to a fuller understanding of economics?
2. In what ways have manual and white-collar workers been drawn closer to each other as to predominant characteristics over time? Why do white-collar workers continue to feel "superior" to manual workers economically and socially?
3. Should one think of "labor," or the "working class," as a highly cohesive class within the United States? What evidences exist which cast some doubts on this idea?
4. How can the various social sciences contribute to a complete understanding of a labor relations problem such as strikes? Improving man-hour productivity? Reducing labor turnover within a given plant?

5. Why is it appropriate to consider labor relations within an industrial nation as ranking with its major problems?
6. Show how some value judgments on the part of the labor economist are virtually inescapable. Consider, for example, different conclusions which a labor economist may come to depending upon whether he assumes collective bargaining to be a desirable or an undesirable way of industrial life.
7. How can labor economists surmount or eliminate some of the obstacles which they face in the utilization of the scientific method of investigation?

SELECTED READINGS

- BAKKE, E. W.; KERR, C.; and ANROD, C. W. *Unions, Management, and the Public*, pp. 16-73. 3d ed. New York: Harcourt, Brace & Co., Inc., 1967.
- COHEN, MORRIS. "Method, Scientific," *Encyclopedia of the Social Sciences*, 1949, Vols. IX-X, pp. 389-95.
- HOBSON, J. A. *The Evolution of Modern Capitalism*. New York: Charles Scribner's Sons, 1926.
- MODLIN, G. M., and DE VYVER, F. T. *Development of Economic Society*, Part II. Boston: Little, Brown & Co., 1937.
- POLANYI, KARL. *The Great Transformation*. New York: Rinehart & Co., Inc., 1944.

LABOR FORCE CONCEPTS AND TRENDS

Any discipline to which the student may be introduced will be found to possess its own peculiar terminology or "language." The student must become conversant with the language of the discipline if he is to follow intelligently the various analyses of that discipline. Therefore, some space will be devoted in this chapter to an explanation of some of the most fundamental terminology of labor economics. Repeated reference will be made to these concepts throughout the course.

In the first place, the various labor force concepts so vital to a course in labor economics will be discussed and defined. In the second place, the concept of "the working class," or "labor," will be dealt with in so far as its definition, its development in the United States, and its resulting overall characteristics are concerned. Finally, attention will be given in this chapter to the illusive concept known as the labor market, with emphasis on various attempts to define it and with special reference to the continuing impacts of industrialization upon the labor market.

The Labor Force

The phrase *labor force* is often used erroneously as a synonym for *working class*. The phrase is also frequently confused with one or more of its subdivisions. In order to clarify the meaning of the various labor force concepts, they will be treated here individually as they are defined and used in the United States.

Total Labor Force. The total labor force is the most inclusive of the labor force concepts and is defined by the Bureau of the Census as including all noninstitutionalized persons in the economy aged 16 or over who are gainfully employed,¹ plus others who are not currently em-

¹ Including members of the armed forces. Note that the minimum age for defining the labor force was raised from 14 to 16 as of January 1, 1967.

ployed but who desire work and are seeking work. It is obvious that the total labor force is smaller than the total population, since several important exclusions are made in defining the concept. Thus, persons who are inmates of penal and mental institutions, as well as those who reside in homes for the aged, are not counted. Persons in the economy who are under 16 years of age are not counted; and finally, the nation's housewives are arbitrarily left out of total labor force calculations unless they are employed outside the home or work fifteen hours per week or more on the family farm or business. This is not to say that the work of housewives is of no economic importance to the nation; but rather, since they are not, as housewives, engaged in the production of commodities for market, they are considered as not being bona fide labor force constituents.

The total labor force of the United States as of 1968 was estimated by the Bureau of the Census as averaging approximately 82.3 million persons. The total labor force is not a static entity, since it varies daily, weekly, monthly, and yearly. It is typically at its peak during the summer months of each year, when schools have adjourned and many students join the labor force permanently or for the summer vacation period. On the other hand, the total labor force shrinks with the convening of schools in the fall of each year and reaches its low point usually in January or February of the typical year as business activity slackens somewhat following the holiday buying splurge.

In an economy such as the United States, with a continually growing population, the total labor force is expected to increase substantially on average with each passing year. Thus, from 1953 to 1960, inclusive, an average annual increase in the total labor force of about 814,000 was registered. Over this period, however, quite a range may be noted in the annual labor force increments, from a low of some 300,000 additions in 1957 over 1956 to a high for the period of about 1.5 million additions in 1956 over the total labor force of 1955. During the 1960's the annual increase in the labor force, on the average, rose noticeably. Thus, the average annual increase from 1960 to 1963 was about 1.0 million; from 1964 to 1970, the average annual increase may equal 1.5 million. The size of a given nation's labor force at a particular time is dependent upon two variables: the size of the nation's population plus the propensity of the nation's population to wish to be associated with the labor force. The latter variable involves what is referred to technically as the nation's labor force participation rate, an item which is discussed in detail later in this chapter.

Civilian Labor Force. As its name implies, the civilian labor force represents the total labor force minus the members of the armed forces. Since the armed forces in the year 1968 contained about 3.5 million persons on average, this left a total of about 78.7 million individuals in

the nation's civilian labor force. This concept is frequently used as the base in the determination of unemployment percentages and is considered as being more suitable for this purpose than is the total labor force concept, since there is an element of compulsion resident in the armed forces segment of the total labor force which perhaps should not be permitted to reflect itself in a lowering of reported percentages of unemployment. It should further be noted that the civilian labor force, like the total labor force, includes employed and unemployed persons alike; and the word *employed*, as used here, refers to the self-employed as well as to those who are employed by some other person, firm, or agency.

The Employed. This category applies to only that segment of the civilian labor force which is technically defined as being employed. In brief, it includes all persons who are either (1) "at work" or (2) "with a job but not at work." The phrase "at work," as used here, refers to those individuals who did any work for pay or profit or those who worked without pay for fifteen hours or more per week on a family farm or business. The phrase "with a job but not at work" is used to describe persons who did not work and who were not looking for work but who had a job or business from which they were temporarily absent due to vacation, illness, industrial dispute, or bad weather, or because they were taking time off for various other reasons. In 1968 the employed category numbered about 75.9 million individuals on average.

The Unemployed. The unemployed consist of all persons who did not work during the survey week, who had made specific efforts to locate a job within the past four weeks, and who were *available* for work during the survey week (except for temporary illness). Additionally, the unemployed category also includes those who did not work, were *available*, and (a) who were waiting to be recalled from a layoff; or (b) who were waiting to report to a new wage or salary job within thirty days. The survey week referred to in this connection is the Sunday through Saturday in a given month which includes the 12th day of the month. This is discussed in greater detail later in this chapter when the household survey of the Bureau of the Census is summarized.

As of 1968, the number of unemployed, on average, was about 2.8 million and represented about 3.6 percent of the civilian labor force. Total unemployment, like the other labor force concepts, is subject to frequent fluctuations during the typical year, with its peak usually coming in February and its low point being registered in October.

Insured Unemployment. This concept was added to governmental reports on unemployment in 1940, or shortly after state and federal unemployment compensation programs went into effect. Insured unemployment refers to the number of workers covered by unemployment compensation programs who were totally or partially unemployed during a given week for which they have filed unemployment compensation

claims. Weekly insured unemployment figures are available for each state in connection with state, federal, and veterans' unemployment compensation programs. Such figures are published for the week ending nearest the twelfth day of the month for 150 major labor market areas. Excluded from insured unemployment figures are the following: persons who have exhausted benefit rights; new workers who have not earned benefit rights; and persons who have lost jobs not typically covered by unemployment compensation programs—agricultural employees, state and local government employees, domestic service employees, self-employed persons, unpaid family workers, employees of nonprofit organizations, and employees of firms below the minimum size required for coverage.

The rate of insured unemployed is the number of insured unemployed expressed as a percentage of average covered employment in a 12-month period ending six to eight months prior to the week of reference. "Initial claims" are notices filed by those losing jobs covered by unemployment compensation that they are starting a period of unemployment. Any claimant who remains unemployed for a full week is then counted in the insured unemployment total. Insured unemployment percentages, it may be noted, are typically lower than the percentage which total unemployment bears to the total labor force. This is so because insured unemployment is reported as a percentage of *covered* employment only and many unemployed are still not covered by unemployment compensation programs of the states.

Sources of Labor Force Data

Labor force data originate from a number of public and private sources, but the bulk of the data with which the student is apt to come into contact originates in various governmental agencies. Therefore, this section will concentrate upon the statistical procedures followed by the several federal and state agencies which compile labor force data.

Four federal agencies compile and report on labor force statistics periodically. These agencies are the Bureau of the Census in the U.S. Department of Commerce, the Bureau of Labor Statistics in the U.S. Department of Labor, the Bureau of Agricultural Economics in the U.S. Department of Agriculture, and the Bureau of Employment Security in the U.S. Department of Labor. In addition, certain state agencies gather and report labor force data for their respective jurisdictions. Notable among the state agencies are state bureaus of employment security and/or state departments of labor.

Data which are reported in connection with the labor force concepts by agencies just noted are scientifically determined estimates, as opposed to actual counts. While it is true that actual counts are attempted by way

of the decennial censuses, labor force data are released at monthly intervals by state and federal agencies, thereby necessitating frequent estimations. The salient features of the various methods of estimation will now be discussed.

Bureau of the Census. The estimates arising in this Bureau differ from those of the other federal agencies referred to above in that they are the most comprehensive of all estimates and refer to all major industrial categories. Each of the other agencies prepares estimates of employment and/or unemployment only in limited sectors of the economy.

The Census Bureau utilizes a personal interview technique whereby a sample of about 52,500 households is interviewed monthly relative to the labor force status of household members. This technique was initiated by the Bureau in March, 1940. Prior to this time, no direct enumeration of the labor force was engaged in by the Census Bureau. Thus, estimates for 1939 and earlier years have been prepared by the Bureau of Labor Statistics using information such as the 1930 and 1940 Census of Population plus employment trends taken from the Bureau of Labor Statistics and the Bureau of Agricultural Economics series for the intervening years.

Each month in its Current Population Survey, the Bureau of the Census designates 52,500 occupied units for interview. The interview week is Sunday through Saturday including the 12th day of the month. About 2,250 households in the sample each month are visited with no interviews resulting due to occupants not being found at home after repeated calls. Thus, the noninterview rate is about 4.5 percent. Part of the sample is changed each month with the result that about three-fourths of the sample is common from one month to the next and about half the sample is common to that used in the same month a year earlier. Inmates of institutions and persons under age 16 are excluded from the sample.

In tallying the employed, the Bureau counts all persons working for pay plus those working without pay for fifteen hours or more during the survey week on a family farm or business. With the passage of time, both the size and the scope of the sample have been altered in the interests of improving the accuracy of the process. The time of the monthly survey has also undergone changes to bring it more into line with the survey period of other governmental agencies.

Advantages possessed by the procedure followed by the Census Bureau include the fact that it is the only comprehensive survey made by a federal agency and the fact that the household type of survey offers opportunities of relating work status to other personal or family characteristics. Thus, classifications of the data are made not only by broad occupational and industrial groupings but also by sex, age, color, marital status, and the number of children. Supplementary questions which are

used from time to time can be made to produce other useful information, such as that relating to family incomes and the amount of annual migration which occurs. By virtue of the Bureau's definition of the civilian labor force, its data indicate roughly the total demand for jobs in the economy, since both those who have jobs (the employed) and those who are seeking jobs (the unemployed) are included.

Since the Bureau of the Census derives its statistics from a relatively small sample, very small changes in the data should not be accorded too much significance. The relative sampling error for the 357-locality sample is estimated at about 0.3 percent for summary estimates of the civilian labor force, total employment, and nonagricultural employment. The relative sample error is estimated at about 2 to 4 percent for agricultural employment and total unemployment.

It should be noted, too, that the information secured by Bureau of the Census interviewers is usually obtained in personal interviews with the housewife, who may not in some cases have exact knowledge concerning the labor force status of all the members of her household. A final word of caution exists in the fact that the measurement of unemployment is extremely difficult, since it depends in part on the attitude of the person being interviewed. For example, no method has yet been devised for securing consistent reporting of "looking for work" activities of each individual from month to month. Therefore, some marginal groups may be reported as unemployed in some circumstances, whereas they might be reported as not in the labor force in other circumstances. Most such problems of measurement affect persons whose attachment to the labor force is casual or intermittent, as is often the case for married women or young persons still in school and looking for part-time employment.²

Bureau of Labor Statistics. The approach used by this Bureau in preparing its labor force estimates is often referred to as the "establishment approach." Questionnaire forms are mailed by the Bureau to appropriate agencies in the states,³ which in turn mail them to a national sample of about 180,000 business and industrial establishments in all major industrial categories except agriculture. Included in the scope of the sample are about 230 separate industry groups and subgroups. The establishments fill out the questionnaires and return them to the state agencies, which check the forms, compile state labor force estimates, and relay them to the federal Bureau of Labor Statistics. The Bureau then prepares national estimates from the data received from the various firms via the state agencies.

The above procedure does not result in as complete a coverage as that

² The results of the Bureau of the Census survey are published monthly in *Employment and Earnings*. Since 1960, this has been published by the U.S. Department of Labor, although the data still originate in Bureau of the Census surveys.

³ Usually, the employment security commission or bureau of the state handles this phase of work. About 27.5 million persons are employed by firms in this sample.

of the Census Bureau. The agricultural category, for example, is completely omitted. Other exclusions are proprietors, self-employed persons, unpaid family workers, domestic household workers, and armed service personnel. Thus, those deficiencies must be filled in from other sources. On the other hand, persons under age 16 are counted by the Bureau of Labor Statistics if such persons are on the payroll of an establishment in the sample. Another shortcoming of the approach utilized by the Bureau is that when employees of reporting firms change jobs within the month, they may be counted twice, and double counting may occur also if an employee happens to hold two jobs in a given survey period in two sample firms.

Nevertheless, because the size of the sample is relatively large, the figures released by the Bureau of Labor Statistics for the *non-agricultural* labor force are probably the most reliable of any such figures; and of course, the vast majority of the nation's workers are to be found increasingly within this category. The Bureau is frequently relied upon for many particular types of information, such as turnover rates, earnings and hours data, work stoppage figures, and changes in the consumer price index.⁴

Bureau of Agricultural Economics. This agency prepares estimates on the labor force status of an even more select and abbreviated group than that surveyed by the Bureau of Labor Statistics. Thus, only farm employment and unemployment are periodically assessed by the Bureau of Agricultural Economics. A questionnaire is mailed monthly to a sample of from 15,000 to 20,000 farms which have been selected for the reporting of crop conditions periodically over the nation. Since these farms are not necessarily a representative sample employmentwise, an adjustment is made in the resulting figures to remove the bias thus occasioned.

Contrary to the practice of the Census Bureau, the Bureau of Agricultural Economics uses no age limit in its definition of employment. In addition, farm operators and hired farm workers are required to work only *one hour* during the survey week in order to be counted as employed. Unpaid family members, however, must work a minimum of fifteen hours during the survey week before they are counted as being employed. In a case where a person is employed on two or more farms during the survey week, he is reported as employed on each farm. The survey period utilized by this Bureau is the latest calendar week which excludes the last day of the month, a totally different survey week from that used by the last two agencies discussed.

Bureau of Employment Security. Data on insured unemployment are compiled by this Bureau on the basis of actual counts of completed

⁴ Results of the Bureau of Labor Statistics surveys are published monthly by the U.S. Department of Labor in the *Monthly Labor Review*.

weeks of unemployment for which benefits are claimed under the various unemployment compensation programs. The data from state employment security agencies and the national Railroad Retirement Board are totaled by the Bureau of Employment Security to get the weekly national figures. Since the claims figures reported by the state agencies are dated by weeks in which the claims were filed rather than by weeks in which the unemployment took place, the Bureau adjusts both the state and the national figures so that they reflect actual periods of unemployment.

Since the data here considered are derived from actual administrative records, they possess certain inherent advantages and limitations which should be noted. Advantages arise from the fact that the figures represent complete counts rapidly available on a weekly basis and, as a result of changes in the coverage of unemployment compensation programs, now apply to over 80 percent of all wage and salary recipients in nonagricultural industries. Shortcomings of this series exist in the fact that some groups are still excluded from unemployment compensation coverage, such as agricultural employees, self-employed persons, unpaid family workers, new entrants into the labor market, domestic service employees, employees of nonprofit organizations, and employees of most local and state governmental agencies. In addition, some workers who are covered by the laws may, for one reason or another, be ineligible for unemployment benefits and thus would not be included in the data on insured unemployment. Workers may be ineligible for benefits for any of the following reasons: They may have earned an insufficient amount of wage credits or have worked an insufficient length of time; they may have been disqualified for quitting a job without good cause or for being discharged due to bad conduct or for refusing suitable work; and finally, some workers may be ineligible simply because they have exhausted their benefit rights. In a period of substantial unemployment of long average duration, the volume of such exhausted rights might have an important bearing on the magnitude of insured unemployment levels.

Despite their limitations, however, the series on insured unemployment has proved to be a useful addition to the array of labor force statistics.⁵

Labor Force Composition

For a thorough understanding of the nation's labor force, the student should know something of its composition with respect to age groups, sex, and agricultural and nonagricultural components. These aspects of the labor force of the United States will now be briefly considered.

⁵ Insured unemployment data are published monthly by the U.S. Department of Labor in the *Employment and Earnings*.

Age Composition. In January, 1969, the Bureau of Labor Statistics reported that approximately 12.0 percent of the total labor force was composed of persons in the age group 16 through 19. While the proportion of teen-agers in the labor force was abnormally high during the World War II period, a long-run decline in this percentage has been in evidence ever since World War I. Thus, in 1930 this age group represented 9.2 percent of the total labor force, and by 1940 the figure had dropped to 7.8 percent. This trend reflects in general the growth in popularity of increased formal training as well as the tightening of legal restrictions upon child labor by the states and the federal government. It should be noted, however, that many youngsters actually in the labor force are excluded by the definitions of labor force and employment utilized by the Census Bureau, since only persons aged 16 or over are counted. While it is true that most child labor under age 16 is illegal under federal legislation, many children below this age level would come under state laws rather than federal legislation, and state laws are generally not so restrictive regarding child labor as the federal enactments.

Labor force projections of the Bureau of Labor Statistics indicate that the percentage represented by the teen-age group, aged 16 through 19, may rise to about 9.4 percent by 1980. This forecast is based on the assumption of an absence of serious military conflict for this country.

Persons aged 65 and over, as of 1968, accounted for about 3.7 percent of the labor force. This figure represents a continuing decline from the corresponding figure in 1930 and 1940 when it amounted to 4.3 percent and 4.0 percent, respectively. Factors contributing to this trend probably include automatic and compulsory retirement policies of major employing units; the initiation and spread of old age benefits under the Social Security and Medicare programs; the development of private industrial pension programs; and changes in methods of production which place some emphasis upon youth, speed, and quick worker reactions. Bureau of Labor Statistics' projections to 1980 forecast a further decrease in the percentage of the labor force represented by persons aged 65 and over to about 3.4 percent.

The bulk of the nation's labor force obviously comes from the age group 20 through 64. As of 1968, this group accounted for 84.3 percent of the total labor force as compared with 86.5 percent in 1930 and 88.2 percent in 1940. The decrease in this figure from 1930 to 1968 is due largely to the concomitant increases in the percentages registered by teen-agers and oldsters. By 1980, according to the Bureau of Labor Statistics' projections, the age group, 20 through 64, will account for about 87.2 percent of the total labor force.

It is of interest to note here that from 1960 until 1980 the tendency for the total population to increase more rapidly than the number of persons

of working age who would normally be in the labor force will diminish. Professor Drucker observed in 1955 that from then until 1975, total population would grow by about 40 percent, with the labor force rising by about 20 percent over the same period.⁶ As of 1965, however, the Bureau of the Census saw total population increasing by 17.2 percent, while the labor force would be growing by 19.5 percent over the ensuing ten years. Nevertheless, because of the low birth rates of the 1930's and the tendency for young people to remain in school for a longer period of time, the ratio of persons in the economy at work to the total population was relatively low by past standards throughout the decade of the 1960's.

Sex Composition. Adult male workers accounted for about 64.0 percent of the total labor force as of 1968, leaving 36.0 percent represented by adult female members. The sex composition of the labor force has undergone a rather pronounced change since 1920, with participation by adult women in the labor force rising markedly. Thus, as of 1920, female members of the total labor force accounted for 20.6 percent of the aggregate; by 1930 the figure had reached 21.9 percent; by 1940, it was 25.3 percent; and by 1944 the level of 28.6 percent had been attained. It is apparent that the growth in female participation in the labor force has been more pronounced in the last quarter of this century than in the first thirty years. From 1900 to 1930 the percentage of the total labor force represented by women rose from 18 percent to 21.9 percent. By contrast, the percentage rose from 21.9 percent in 1930 to 32.7 percent in 1960. Thus, the proportion of women in the labor force rose only 21.6 percent during the first three decades of the twentieth century, while it rose by 42.5 percent during the next thirty years. The Bureau of Labor Statistics predicts that by 1980 women will account for over 41.0 percent or more of the total labor force. Since this rate was 41.4 by 1969 it is highly probable that the projection for 1980 will prove to be conservative.

In Table 2-1, female employment is recorded in absolute numbers and as a percentage of total employment at stated intervals from 1940 to 1968. While it is evident that the World War II peak of 36 percent of total employment had not been matched, until recently, it is also apparent that from April, 1940, to April, 1968, female employment as a percentage of total employment rose by about 44.9 percent.

This trend toward increasing participation of adult women in the labor force is not peculiar to the United States but, rather, is found to be taking place in most industrial societies, with some nations experiencing even larger proportions of females in the labor force. Professor Arnold Toynbee, the eminent English historian, has been led by his observations

⁶ Peter F. Drucker, "America's Next Twenty Years," *Harper's Magazine*, March, April, May, and June, 1955. See also Sophia Cooper and Denis F. Johnston, "Labor Force Projections for 1970-80," *Monthly Labor Review*, September, 1966, pp. 966-68.

of this phenomenon to class what he calls the emancipation of women along with two other major emancipation movements: the emancipation of colonial peoples and the emancipation of the industrial worker. Professor Toynbee goes so far as to predict that the emancipation of women may have even farther-reaching implications for industrial societies than either of the other two emancipation movements.

Reasons for the growth of the female contingent of the labor forces of the industrial world are numerous and undoubtedly are a mixture of economic, sociological, and psychological influences. Some reasons

Table 2-1 Employment of women in the U.S. civilian labor force (in millions)

Period	Total Employment	Female Employ- ment*	Female Employment as Percentage of Total Employment
April, 1940.....	46.6	12.0	25.8
July, 1945.....	54.4	19.6	36.0†
April, 1947.....	56.7	15.8	27.9
April, 1949.....	57.8	16.4	28.4
April, 1951.....	60.0	17.9	29.8
April, 1953.....	61.6	18.8	30.5
April, 1955.....	61.7	19.3	31.3
April, 1960.....	66.1	21.1	31.9
April, 1964.....	69.9	24.3	34.8
April, 1968.....	75.6	27.5	37.4

* Adult females, ages 14 and over.

† World War II peak employment of women.

Sources: National Industrial Conference Board, *The Economic Almanac* (New York: Thomas Y. Crowell Co., 1956), p. 365; and U.S. Department of Labor, *Monthly Labor Review*, February, 1961, November, 1964, July, 1965, and July, 1968.

which have been noted include mechanization of the home, thus freeing women for more activity outside the home; mechanization of industry, thus bringing more jobs within the physical competency of women; the rise in wages, employment, and costs of living since 1940, which have made employment both attractive and increasingly essential for more women; and gradually changing attitudes within industrial societies concerning the economic, political, and sociological roles of women. Finally, it should be noted that the yearly increase in employment in the service category ever since 1945 is another important explanation since this has long been a strong source of female employment.

It is noteworthy that women in the age category of 25 through 64 have been most responsible for the rise in the percentage of women in the total labor force of the United States. Therefore, it is not in the young, unmarried ranks of women that the change has been most marked with

respect to labor force participation but rather in the ranks of married women and mothers. Thus, while only about 15 percent of women in the 1900 labor force were married, by 1967 about 57 percent of the women in the labor force were married women. As of 1947 only 20 percent of all married women worked, whereas by 1967 over 33 percent had joined the labor force.⁷ As a result, married women accounted for 20 percent of the total civilian labor force in 1967 in contrast to only 11 percent in 1947. Negro wives are more apt to be found in the labor force than white wives and they are also likely to have a larger number of dependents.

With respect to this development, it is an interesting concomitant observation that since 1930 the nursery school and the babysitting profession have come into prominence in the industrial societies. This has apparently been true of the democratic and the totalitarian societies alike. The major difference herein would seem to lie in the manner in which the care for preschool children is provided and financed. In Russia, it is the state which provides for this care in the form of the crèche, a day nursery sponsored by the state, thus freeing young mothers for industrial employment. By contrast, in the United States the preschool nursery and/or babysitter is usually privately financed and sponsored. The reason for the development, wherever found, however, is quite similar—to free increasing numbers of young mothers for work or other activities outside the home to an extent unheard of in earlier decades.

Agricultural versus Nonagricultural Segment. One of the most sizable shifts which has occurred within the nation's labor force during this century has been the growth in the nonagricultural segment of the labor force and the concomitant shrinkage in size of the agricultural category. Thus, as of January, 1969, the employed members of the civilian labor force who were associated with agriculture amounted to only about 3.8 million, whereas the nonagricultural component numbered 73.5 million persons. Just 40 years prior to 1969, in 1929, the agricultural employment figure was reported as being 10.4 million, while the nonagricultural counterpart was 37.1 million. In only 40 years, therefore, agricultural employment declined by 63.4 percent, while the nonagricultural employment figure rose by 98.1 percent.

The above figures tell the story of the internal migration from agricultural and rural employments to nonagricultural and urban employments which quite naturally accompanies industrialization. The movement is still not finished, as each decade sees a net out-migration from the rural areas. A nation in the process of industrializing is constantly engaged in the reallocation of its labor force in the direction of a more economic utilization of its manpower. This becomes especially apparent when it is

⁷ Vera C. Perella, "Women in the Labor Force," *Monthly Labor Review*, February, 1968, pp. 1-12.

noted that in the most developed regions of the world less than 15 percent of the active populations are engaged in agriculture, while the underdeveloped regions of the world may employ as much as 85 percent of their active populations in agriculture. It should not be inferred, however, that because agricultural employment, per se, has declined in the advanced nations that the industry is of little importance. In the United States, for example, agriculture is said to account for about 40 percent of all jobs in the nation, directly or indirectly. Additionally, several states derive 10 percent or more of their income from agriculture, e.g., the Dakotas, Iowa, Nebraska, Kansas, Mississippi, Arkansas, Montana, and Idaho.

Labor Force Participation Rates

As was noted earlier in this chapter, the size of a given nation's labor force is simultaneously dependent upon the size of the nation's population and upon its current labor force participation rate. This latter concept usually refers to the percentage of the noninstitutional adult population (aged 16 and over in the United States) which is within the labor force at a given time. The concept is also frequently used to indicate the percentage of a given sex and/or age group which is within the labor force at a given time. Obviously, this variable is capable of measuring fluctuations in the total labor force from time to time which may be quite different either as to direction or as to magnitude from those which changes in the size of population alone would cause to be anticipated. It is also apparent that two nations with similar population size could have marked differences in the size of their labor forces simply because of marked differences in their labor force participation rates.

The combined labor force participation rate of both sexes in the United States has varied within a rather narrow range since 1920. Thus, this rate was about 55.8 in 1920, 54.6 in 1930, 54.1 in 1940, 57.0 in 1950, and 56.7 in 1965. It is noteworthy that only a slight increase in the rate took place between 1920 and 1965. As of January, 1969 the labor force participation rate was 59.7 (see Table 2-2) with a slight fall to 58.3 expected by 1980.

Determinants of the labor force participation rate are not easily isolated. While it might be logical to expect the rate to decline with the increase in national wealth and income, the reverse would appear to have transpired in the United States—at least during the period from 1920 to 1968. Some insight is provided by a study of the divergent trends in the participation rates of the two sexes. Thus, the rate for adult males in the nation declined from about 85.9 percent in 1920 to about 79.4 percent in January, 1969, and a further decline to about 76.9 percent is projected for 1980. On the other hand, the adult female participation rate

rose markedly from 24.1 percent in 1920 to about 41.4 percent in January, 1969. This rate has been projected to about 40.6 percent by 1980 by the Bureau of Labor Statistics. It should be noted that the smaller rate projected for 1980 is not strictly comparable with the higher rate as of January, 1969, since the former is a yearly average while the latter is a

Table 2-2 Labor force participation rates by age and sex in the United States for January, 1969

Age and Sex	Total Labor Force	
	Number in thousands	Percentage of Noninstitutional Population
Total	81,711	59.7
<i>Male</i>	52,364	79.4
16 to 19 years	3,687	50.7
20 to 24 years	6,718	83.5
25 to 29 years	6,197	96.0
30 to 34 years	5,332	97.5
35 to 39 years	5,338	97.4
40 to 44 years	5,682	96.9
45 to 49 years	5,536	95.8
50 to 54 years	4,860	93.7
55 to 64 years	6,954	82.7
65 years and over	2,059	25.9
<i>Female</i>	29,347	41.4
16 to 19 years	2,567	36.1
20 to 24 years	4,403	55.3
25 to 29 years	2,865	43.8
30 to 34 years	2,419	42.9
35 to 39 years	2,700	47.3
40 to 44 years	3,184	51.4
45 to 49 years	3,291	53.1
50 to 54 years	2,938	52.5
55 to 64 years	3,987	42.5
65 years and over	994	9.4

Source: Bureau of Labor Statistics.

figure for one month only in 1969. It is possible, too, that the projection for the female participation rate may well prove to be too conservative.

The tendency for the average male citizen to spend increasing numbers of years in formal education and training is probably the principal reason for the decline in the male participation rate, since this decline is greatest in the participation rate for the age group 16 to 19.⁸ The same influence is in evidence for 16 to 19-year-old female citizens, whose rate

⁸ Another factor, of course, has been the decline in the participation rate for persons 65 and over, a product of automatic retirement policies and institutional arrangements for old-age benefits.

also declined from 1920 to 1968, even though the participation rate for adult women as a whole rose markedly. It would appear to be logical to conclude that if the causative factors in the rise of the labor force participation rate for females aged 20 and above could be singled out, a major part of the explanation for the gradual rise in the total participation rate for the United States would have thereby been discovered.

In concluding this section, it may be noted that some relationship may exist of an inverse nature between the level of national wealth and income and the labor force participation rate. Thus, nations whose people live on relatively lower scales of living, economically speaking, than people within the United States and other advanced nations, are usually found to have considerably higher labor force participation rates. In 1939, when the labor force participation rate for the United States was about 55.5, the rate for Germany was about 67.6. In 1948, when the rate for the United States was about 57.2, the rate for Great Britain was about 64.0.⁹ International comparisons are often made difficult by differences in the definitions of labor force concepts; but from the foregoing figures and others which could be quoted, some inverse relationship between per capita income and labor force participation rates would appear to obtain. Precisely what the relationship is still remains to be determined.

Industrial Distribution of Employed

The industrial distribution of the employed members of a nation's labor force is highly indicative of the type of nation it is from an economic standpoint. A study of the shifts which are occurring in this distribution is quite helpful in ascertaining whether the nation is progressing toward a particular end, such as that of a high level of industrialization. Some indication may even be found here as to the speed with which such a transformation is taking place. Consequently, attention will now be given to the industrial distribution of the gainfully employed in the United States, with special emphasis upon shifts which have taken place in the distribution, notably since 1929, for data prior to that year are not too plentiful nor are they strictly comparable with the more recent data.

As may be seen from Table 2-3, the percentage of total civilian employment represented by the several major industrial categories underwent some significant changes between 1929 and 1967. Three of the categories experienced declines: agriculture, mining, and transportation and public utilities. Agriculture and mining declined markedly, while the category of transportation and public utilities scored a relatively modest

⁹ Data from National Industrial Conference Board, *The Economic Almanac* (New York: Thomas Y. Crowell Co., 1956); and C. D. Long, *Labor Force, Income and Employment* (New York: National Bureau of Economic Research, 1950).

decline. It may be noted that agriculture declined most steeply after 1940, or in the years in which manhour productivity has scored its biggest gains in this category. Mining, on the other hand, declined more from 1940 to 1967 than it did from 1929 to 1940, reflecting not only the earlier improvements in man-hour productivity in this category as contrasted with agriculture but also the inroads made upon coal mining by competing fuels which require less labor. The remainder of the major industrial classifications increased their percentages of civilian employment, with services and government categories leading the way and being followed by trade and finance. The shifts shown in Table 2-3 are such as

Table 2-3 Industrial distribution of civilian employment (as percentage of total civilian employment)

<i>Industrial Category</i>	<i>1928</i>	<i>1940</i>	<i>1954</i>	<i>1967</i>
Agriculture.....	29.1	25.5	14.9	5.2
Manufacturing.....	24.0	25.0	28.2	26.0
Mining.....	2.5	2.1	1.4	0.8
Contract construction.....	3.4	3.0	4.5	4.4
Transportation and public utilities.....	8.9	7.0	7.1	5.9
Trade*.....	14.6	16.1	18.5	18.4
Finance, insurance, and real estate.....	3.3	3.3	3.7	4.3
Service and miscellaneous.....	7.1	8.1	9.9	13.5
Government.....	7.0	9.8	11.9	15.6

* Beginning with 1940, the automotive repair industry shifted from the trade category to the service and miscellaneous category.

Source: Bureau of the Census, U.S. Department of Commerce, *Statistical Abstract of the United States* (81st ed., 85th ed. and 89th ed.; Washington, D.C.: U.S. Government Printing Office, 1960, 1964 and 1968).

are to be anticipated as industrialization of an economy proceeds. Impacts of World War II undoubtedly hastened some of the shifts, which would have taken place otherwise over a longer stretch of time, just as World War I and the Civil War had similar effects upon economic developments in early decades.

From Table 2-4, in which is recorded the net change in absolute numbers employed in the major industrial categories between 1940 and 1967, it may be seen that while total employment was rising by 72.3 percent during this period, employment in several categories was rising by a larger percentage, namely manufacturing, trade, finance, service, and government. Two categories—construction and transportation—increased their employment by less than the national average while agriculture and mining were the only categories to register a decline in employment.

Within the manufacturing classification the subdivision, durable goods manufacturing, scored a much greater increase in employment than did the nondurable goods subdivision. This development is a reflection

Table 2-4 Industrial distribution of employees, 1940-67 (in thousands)

<i>Industrial Category</i>	<i>1940 *</i>	<i>1967</i>	<i>Percent Change</i>
All industries	40,554	69,907	+ 72.3
Agriculture	8,496	3,844	- 54.6
Manufacturing	10,780	19,339	+ 79.0
Mining	916	607	- 33.7
Contract construction	1,294	2,922	+ 12.6
Transportation and public utilities	3,013	4,191	+ 39.1
Trade*	6,940	13,332	+ 92.1
Finance, insurance and real estate	1,502	3,157	+110.1
Service and miscellaneous	3,477	9,817	+182.3
Government	4,202	11,554	+174.9

* Beginning with 1940, automotive repair service included under service and miscellaneous, previously under trade.

Source: Bureau of the Census, U.S. Department of Commerce, *Statistical Abstract of the United States* (81st and 89th eds.; Washington, D.C.: U.S. Government Printing Office, 1960 and 1968).

tion of (1) the rising scales of living in the United States, with more family units finding it possible to purchase larger amounts of durable consumption goods; and (2) the fact that a decade of depression and a major war so reduced the stock of durable consumption and capital goods that postwar levels of spending, therefore, were inevitably destined to be great.

Occupational Distribution of Employed

In Table 2-5, it is evident that some pronounced shifts in the occupational distribution of the nation's gainfully employed persons have oc-

Table 2-5 Occupational distribution of the employed

<i>Job Classes</i>	<i>Percentage of Employed</i>			<i>Percentage Change, 1910-67</i>
	<i>1910</i>	<i>1930</i>	<i>1967</i>	
Professional.....	4.0	6.0	14.0	+250.0
Proprietors, managers, and officials*.....	23.0	20.0	11.0	- 52.2
Clerical, sales, and kindred.....	10.0	16.0	23.8	+138.0
Skilled workers and foremen.....	12.0	13.0	13.9	+ 15.8
Semiskilled workers.....	15.0	17.0	18.1	+ 20.6
Unskilled workers.....	29.0	21.0	5.9	- 79.6
Farm laborers.....	14.0	8.0	1.9	- 86.4
Nonfarm laborers.....	15.0	13.0	4.0	- 73.3
Service workers†.....	7.0	7.0	10.5	+ 50.0

* Includes farm owners/operators.

† Includes private household workers.

Source: Bureau of the Census, U.S. Department of Commerce, *Statistical Abstract of the United States* (80th and 89th eds.; Washington, D.C.: U.S. Government Printing Office, 1958 and 1968).

curred during this century. From 1910 to 1967, occupational groups scoring increases with respect to the percentage of total employment which they represented were professional persons, clerical and sales personnel, service workers, semiskilled workers, and skilled workers, in that order. The largest gains were registered by the professions, with about a 250 percent increase over the period. Second in terms of increasing percentage of employment was the group labeled as clerical and sales personnel, which gained 138 percent in the proportion of total employment represented.

One of the most rapidly expanding occupational categories of employment since World War II has been that of "service workers." Although the percentage of total employment represented by this category remained constant at 7 percent from 1910 to 1930, it has since risen dramatically to about 10.5 percent as of 1967. Included in this category are such services as hospital service, medical and dental service, repair service, hotel and restaurant service, barber shop and beauty parlor service, and many other miscellaneous services, most of which reflect the growing affluence of the nation. Employment is expected to rise still more in the future in this category and to provide some offset to employment declines occasioned by automation. As of 1967, spending by consumers for services amounted to about 35 percent of the consumer price index. Almost continuous rises in this type of spending have characterized recession and boom years alike since 1945 as more and more people have felt they could afford more services. As of 1946 consumer spending for nondurable consumer goods exceeded spending for services by more than 50 percent; by 1967 the differential was only 10 percent and rapidly declining.

It should be noted that the two most rapidly growing occupational categories have been the Professional category and that of Clerical, Sales, and Kindred employees. With a growth of about 250 percent in the proportion of the employed represented by professionals between 1910 and 1967 such functionaries in the national economy amounted to almost 10 million in absolute numbers as of 1967, a development which should be of great interest to the many college and university students taking a professional course of some type. Although its percentage increase (138 percent) as a proportion of the employed was second to that of the professional group, nevertheless the Clerical and Sales category numbered almost 17 million employees in absolute terms as of 1967. Thus, out of some 77 million total employed persons in 1967, it is rather surprising to note that these two white-collar categories accounted for almost 27 million or about 35 percent.

On the other hand, sizable declines in proportion of total employment were in evidence in connection with unskilled workers (farm and non-farm) and proprietors, managers, and officials. In the last instance, the

decline of 52.2 percent is chiefly due to the decline in farm owners and operators as opposed to business and industrial managerial personnel. Actually, the percentage of employment attributed to proprietors and managers other than farm owners and operators has risen slightly since 1910.

A glance at the percentages for 1967 in Table 2-5 discloses that the employment constituency is moving rapidly toward a more balanced alignment as between so-called "white-collar" and "manual" workers. While it is still true that manual workers outnumber white-collar employees, the large and growing percentages of semiskilled, skilled, and service workers provide evidence that in these categories the worker's collar is more nearly light blue than dark blue. Thus, the white-collar group probably accounted for about 48 percent of total employment in 1967, in contrast to about 21 percent in 1910, if in the white-collar group are included the following: professional persons, business and corporate managers and officials, and clerical and sales personnel.

On the other hand, an ever-increasing blue-collar group had increased by 1967 until it accounted for about 52 percent of total employment. Arbitrarily included in the last-mentioned group are farm managers, skilled workers, semiskilled workers, laborers, and service workers. Finally, unskilled workers, farm and nonfarm, accounted for only 5.9 percent of total employment as of 1967, in contrast to 29 percent as of 1910. It is therefore obvious that in the occupational shifts of the gainfully employed, there has been a marked upgrading in the civilian labor force, qualitatively speaking. This is also reflected, of course, in the rising scales of living made possible by the overall increase in man-hour productivity, which in turn has been aided and abetted by the occupational and industrial reallocations of the employed members of the labor force.

Other Shifts in Employment

During the twentieth century, certain other changes have been taking place with respect to the make-up of the gainfully employed within the labor force. One such change has been the gradual growth in emphasis upon employment within the *service* industries, as opposed to employment within the *goods* industries. Service industries, as the term is used here, include trade, government, service, transportation and public utilities, and finance—in other words, industries which specialize mainly in the production of services rather than goods for the consumer. Goods industries, by contrast, include manufacturing, agriculture, contract construction, and mining—industries which are primarily engaged in the production of commodities for the consumer.

In 1955, for the first time in the nation's history, more persons were employed by the service industries than by the goods industries, and the

divergence has widened somewhat since that year. As noted in Table 2-6, total employment in the goods industries rose by only 26.4 percent from 1929 to 1967, while employment in the service industries climbed by an amazing 124.7 percent. It may be seen that the big increase in employment in the service industries was mainly influenced by the above-average growth of employment in government, service, and trade categories. Within the goods industries the relatively modest gain in employment between 1929 and 1967 was principally due to the declines in mining and agricultural employment, which tended to offset the

Table 2-6 Employment shifts in the United States

Industrial Categories	Employment (in Thousands)		Percentage Change, 1940-67
	1940	1967	
Goods-producing industries:			
Manufacturing.....	10,780	19,339	+ 79.4
Contract construction.....	1,294	3,264	+152.2
Mining.....	916	613	- 33.1
Agriculture.....	8,496	3,844	- 54.7
Total.....	<u>21,486</u>	<u>27,060</u>	+ 26.4
Service-producing industries:			
Trade.....	6,940	13,672	+ 97.0
Transportation and public utilities....	3,013	4,262	+ 41.4
Finance, insurance, and real estate...	1,502	3,228	+114.9
Service and miscellaneous.....	3,477	10,071	+189.6
Government.....	4,202	11,616	+176.4
Total.....	<u>19,068</u>	<u>42,849</u>	+124.7

Source: Bureau of the Census, U.S. Department of Commerce, *Statistical Abstract of the United States* (81st and 89th eds.; Washington, D.C.: U.S. Government Printing Office, 1960 and 1968).

pronounced increases in employment in manufacturing and contract construction.

As of 1968, approximately 67 percent of total *nonfarm* employment was found to be within the service industries, with only 33 percent within the goods industries. By contrast, as of 1920, the corresponding figures were 53 percent of the nonfarm employment in service industries and 47 percent in goods industries. It may be seen from Table 2-6 that manufacturing within the goods category and trade within the service category are the big industries employmentwise, with 19.3 million and 13.7 million employees, respectively. It should be apparent also that the shifts noted here are those normally expected in the process of industrialization and are, in part, responsible for the rise in the nation's scale of living since World War I.

A shift in employment emphasis which is somewhat related to the

shifts noted above is that which has been going on within manufacturing itself. Reference is here made to the increasing emphasis on the employment of so-called *nonproduction* workers, including executives, salesmen, accountants, lawyers, doctors, engineers, supervisors, and most office help. At the same time, decreasing emphasis is noted with respect to the employment within manufacturing of *production* workers, such as machinists, mechanics, other craftsmen, most unskilled workers, janitors, charwomen, and guards. The Bureau of Labor Statistics, in a study of this development in 1957, found that from 1947 through 1956, nonproduction workers in manufacturing increased by 1.2 million, or about 50 percent, whereas production workers in the same industry increased employmentwise by only 380,000, or about 3 percent. It is true that production workers still outnumbered nonproduction workers in the nation's factories as of 1956, but the differential between the two employment levels has decidedly narrowed. Thus, production workers accounted in 1956 for about 58 percent of total factory employment, or considerably less than their 64 percent ratio of 1947. From 1957 to 1963 the trend in question continued to be evident although at a reduced rate. Thus, nonproduction workers increased by about 10 percent while production workers declined by about 3 percent.

Reasons cited by the Bureau of Labor Statistics for the change in emphasis with respect to manufacturing employment were three: (1) large investment in equipment by industry, thus making necessary the employment of more engineers and scientists; (2) rising man-hour productivity, thereby calling for relatively fewer production workers; and (3) increasing overhead functions within industry, thus requiring more individuals to engage in clerical, professional, sales, personnel, and industrial relations work. The Bureau predicts that this observed trend will continue for many years, suggesting that "a basic change in the occupational structure of manufacturing is under way, with significant implications for education and training, industrial relations, and for the whole character of our industrial society."

Thus, it becomes apparent that the labor force is not only constantly changing with respect to the number of persons associated with it from time to time, but that it is also undergoing constant changes and shifts in emphasis with respect to the types of employment held by its constituents. Such sweeping changes would be particularly characteristic of a nation still in the process of transforming itself from an agricultural economy to one highly industrial in nature. Once the transformation has been more or less accomplished, the shifts occurring within the labor force and the gainfully employed sector thereof would tend to be less pronounced and dramatic. This is not to say, however, that labor force changes would cease, since some change is to be expected even in a fully mature industrial economy as production methods and materials are

altered. The mechanism with which a relatively free enterprise society brings about changes in the allocation of its labor force constituents is, of course, the pricing mechanism. This mechanism seems to work surprisingly well despite the various obstructions and modifications which imperfections of competition throw in its way.

THE WORKING CLASS

As was noted in Chapter I, labor economics is concerned at times with economic problems and relationships relative to only a portion of the total labor force, a portion which is often referred to either as "labor" or as the "working class." More detailed attention will now be given to the nature of the working class in the United States, its composition, the sources for its recruits, and its resulting characteristics.

Composition

"Labor," or the "working class," has already been loosely defined as consisting of all manual workers in the nation plus the nonsupervisory white-collar employees. The manual workers as a group can be further subdivided into three common classifications, namely, unskilled labor, semiskilled labor, and skilled labor. As of 1968, these three levels of industrial workers totaled approximately 42.1 million, with about 10.0 million employed in the skilled category, 23.3 million in the semiskilled classification, and 8.7 million in the unskilled subdivision.¹⁰ The semiskilled division, as utilized here, arbitrarily includes service employees in addition to semiskilled operatives in industry. Within the unskilled category are included unskilled workers in both farm and nonfarm employments, and private household workers. The skilled category includes skilled workers of industry plus foremen and kindred industrial employees.

The white-collar category, which includes clerical, sales, and related employees, numbered about 17.4 million employed as of 1968. Thus, the total working-class constituency which was employed as of 1968 amounted to about 59.5 million individuals. This figure would have to be slightly reduced by excluding the supervisory white-collar employees to be consistent with the definition of the working class used herein, but this would not involve a material change in the size of the group. Hence, the total working class, or "labor" group, in the United States represented in 1968 about 75.7 percent of the civilian labor force employment of 78.7 million. Groups omitted in arriving at an estimation of the size of the

¹⁰ Bureau of Labor Statistics, U.S. Department of Labor, *Employment and Earnings*, February, 1969.

working class would include professional and semiprofessional workers, farmers and farm managers, and nonfarm proprietors, managers, and officials. Taken together, these groups accounted for about 20.0 percent of total civilian employment in 1968.

Some writers have quarreled with the use of the term *working class* to describe or designate the "labor" group within the United States, noting invariably that in this relatively classless society, it is not appropriate or even accurate to speak of a working class as such. While it is not of too great consequence, perhaps, it may be noted here that in all probability, class barriers are not so apparent or so insurmountable in the United States as in some other nations. Nevertheless, the terms *working class* and *labor* have been used so frequently to describe the groups possessing most of the characteristics of employed, supervised, and directed personnel that they seem to be not too inappropriate for use here if they are thought of as loosely descriptive terms instead of rigidly confining and precise designations.

Working-Class Sources

Since "labor," or the working class, has come to account for the vast bulk of the total civilian labor force, it is worth while to take cognizance of the major, predominant sources which have provided recruits for this growing class at different periods of its development. In this connection, reference is being made primarily to the nonfarm or industrial working class, which totaled about 54.5 million employed individuals as of 1968, because it is the parallel growth in the industrial working class and the shrinkage in the agricultural working class which is so characteristic of industrialization.

Over the 180-odd years of its development, the nonfarm working class of the United States has been supplied with recruits by four principal sources. The first of these consisted of the ranks of the native artisans and craftsmen gradually converted to the role of "factory hands" during the first few decades following the founding of the present form of government. This conversion was brought about by the sheer force of economic necessity as the self-employed craftsman found it increasingly difficult to earn a living for his family by working at home by hand at his trade as machine production in the growing factories drove commodity prices to lower and lower levels. The conversion process was not fully completed in all probability until the 1860's, but the bulk of it had been accomplished within half a century after 1790. Women and children also constituted a source of industrial working-class recruits in these early decades, especially for such industries as the textile industry, but the principal source of recruits for industry generally was the native craftsmen.

The second principal source of recruits for the nonfarm working class was immigration. This source, though present to some degree in all periods from the time of the discovery of the continent by Europeans down to the present, played its greatest role between 1831 and 1929. During this century a total of about 37.8 million immigrants came to this country (See Table 2-7). The period mentioned started with a total of almost 600,000 immigrants arriving during the 1830's and reached its peak during the first decade of the twentieth century, when over 8.2 million persons were admitted. The majority of the immigrants in most decades came from agricultural backgrounds abroad, but it is of significance to note that they were chiefly absorbed in this country by nonfarm

Table 2-7 Total United States immigration, by decades, 1831-1929

<i>Decade</i>	<i>Number</i>
1831-40.....	599,125
1841-50.....	1,713,251
1851-60.....	2,598,214
1861-70.....	2,314,824
1871-80.....	2,812,191
1881-90.....	5,246,613
1891-1900.....	3,687,564
1900-1909.....	8,202,388
1910-19.....	6,347,380
1920-29.....	4,295,510

Source: National Industrial Conference Board, *The Economic Almanac* (New York: Thomas Y. Crowell Co., 1956), p. 10.

employment. Immigration restrictions imposed after World War I reduced annual entrants to a low of 150,000 to 200,000. Since 1945 annual immigration has varied between 200,000 and 300,000. In October, 1965, a law was passed which raised annual immigration to about 375,000 until 1968 with the number leveling out thereafter at about 340,000 per year. The new law will change the leading national sources of American immigrants also. Thus, in 1965 the leading sources in descending order were Britain, Germany, Poland, Italy, Ireland, Netherlands, France, Russia, Sweden, and Norway; in 1969 the *expected* leading sources were Italy, Greece, Portugal, Nationalist China, Philippines, India, Poland, Yugoslavia, Germany, and Korea.

The decline of immigration as a source of industrial labor recruits plus the growing industrialization of the economy during the present century gave rise to a third dominant source of working-class recruits. This source, still in evidence, has been the internal migration from rural regions and employments to urban areas and industrial employments.

This mass movement has resulted, along with the effects of immigration and urban births, in the fact that whereas in 1870 about 74 percent of the nation's population resided in *rural* areas, as of 1960 about 69.9 percent of the total population resided in *urban* areas.¹¹ *Farm* population alone accounted for only 7.5 percent of total population in 1960. Net outmigration from rural to urban areas has occurred in every decade of this century. Even the decade of the depression 1930's, which witnessed some movement back to rural areas from 1929 to 1933, produced a net outmigration from rural areas for the decade as a whole. It is generally recognized that the internal migration being here discussed will continue for some time as the nation moves toward a more economic allocation of its labor force as between farm and nonfarm employments. This movement of people, along with the gradual growth in size of the average farm production unit, is often referred to by agricultural economists as one of the major long-run solutions to the "farm problem."

The fourth and final major source of industrial working-class recruits has been births within industrial working-class families. With the pouring of millions of immigrants and native rural migrants into the urban areas and employments, working-class births as a source of recruits have become more and more important as a factor leading to an increasing tendency for the industrial working class, or "labor," to be more nearly self-perpetuating. Thus, increasing numbers of industrial workers can take note of the fact that their fathers and grandfathers were industrial workers.

Resulting Characteristics

The working class of the United States has been the possessor of several relatively unique characteristics as a result of the manner in which it has developed. Probably the one word which has been most descriptive of this group is the word *heterogeneous*. Being a mixture of all races, nationalities, languages, and cultural backgrounds, the working class in this country has truly constituted a grand potpourri of humanity. By contrast, the working classes of such nations as England and the Scandinavian countries, for example, have been almost homogeneous or possessed of a relatively common cultural background.

Partly because of its heterogeneity, labor in the United States has experienced great difficulty in so far as internal communication and understanding are concerned. This tends to be substantiated when the various national and racial divisions or communities of the typical industrial city are viewed, since compartmentalization and segregation have not ceased at the factory gates. To be sure, with fewer immigrants

¹¹ Rural areas include both farm and nonfarm population in towns under 2,500 population. Data are from the census of 1960.

coming to the nation in recent decades, and with children of prior immigrants either having been or being educated in the nation's schools and steeped in its customs, some of the segregationism is giving way to assimilation; but the process is slow and tortuous, and the end is not yet in sight.

A final characteristic of the industrial working class of this nation has been its relatively individualistic outlook, with its concomitant suspicion of organizational activity. This has been in part the result of the agricultural backgrounds of so many recruits to the working class and in part a result of the fact that this nation has been able to hold out to many workers the promise of quite rapid upgrading due to the initial scarcity of human resources in a new country as opposed to the relatively plentiful reservoir of physical resources. Thus, large numbers of workers, either because of agricultural backgrounds or because of the experience with or hope of industrial upgrading, have not felt, under normal conditions, as great a need for organized economic activity as has been true of working-class members in many other industrial economies. Even though the labor movement of the United States is one of the oldest in the industrial world, a smaller percentage of the labor force in this nation is today organized than is true of other industrial nations. By the same token, smaller proportions of farmers and businessmen are members of economic organizations than is true of their counterparts in many other industrial economies, thereby indicating that the individualism noted above is not confined to one sector of the economy.

It is noteworthy, however, that in the decades since 1930 the industrial working class has shown some signs of becoming much more self-perpetuating, much more group-conscious, and hence much more given to organized economic activities than in earlier periods. Thus, from a total of only about 2.9 million labor union members in 1931, total union membership has expanded so that, as of 1968, it was beyond the 19 million mark, or more than 655 percent in excess of the 1931 level. With the fact that ever-larger proportions of the adult working-class members have been born in working-class families and the fact that ever-smaller proportions of this group currently come from abroad, heterogeneity and difficulty of communication and understanding have tended to give way to more of a homogeneity and ease of understanding and communication. A growing realization that most members of the working class are destined to remain in that class has led to an increasing reliance upon organized economic activity as opposed to reliance upon individualistic endeavors. In the same period since 1931 have also come mounting organizational activities on the parts of agriculture and business, in part probably as a result of the acceleration in organized activities by the working class.

Before leaving the characteristics of the nation's working class, it

should be observed that the nation has been made painfully aware in the postwar period that not all groups have fared equally well as to assimilation within the working class and also as to acquiring their share of job opportunities offered by the nation. While other disadvantaged groups of smaller size exist, the largest group is, of course, the nonwhite work group of which negroes are the great majority. Although constituting about 11 percent of the total population, negroes typically have a disproportionately large share of the nation's unemployment while, on the other hand, being the recipients of a disproportionately small share of the nation's more desirable and better paying jobs and positions. Thus, as of 1967, this segment of the population held only 2.6 percent of the managerial positions; 7.4 percent of the professional posts; and only 7.7 percent even of the skilled jobs. By contrast, this disadvantaged group within the nation held 10.4 percent of the private household employments; 11.2 percent of the nonfarm unskilled jobs; and 23.5 percent of the semiskilled jobs. Additionally, all too many within this group constitute a disproportionately large share of the hard-core unemployed in the nation—especially in the ghettos of the larger cities. Finally, it has been recognized that for too long negroes have not received equal treatment with their white counterparts by most institutions of the nation, including the three labor market institutions: labor unions, employing firms, and governmental agencies. Their failure to secure through the years an equal opportunity to become educated has been especially injurious from an economic standpoint alone. Thus, in this sector much remains to be done before the nation can consider its working class characteristics with justified satisfaction.

THE LABOR MARKET

Definition

Numerous attempts have been made to define the labor market, with frustration a quite common experience on the part of the persons making the attempts. Part of the difficulty has stemmed from the tendency to think of *the* labor market instead of labor markets. Thus, many classical economists referred to the existence of *the* labor market, as if it constituted the environment in which competition took place among *all* workers for jobs as well as competition among *all* employers for workers. As Professor Kerr has noted, however, later economists, led by Cairnes in 1874, recognized that there were many *noncompeting* groups within the so-called "labor market."¹² Hence, the individual, in whatever segment of

¹² Clark Kerr, *The Balkanization of Labor Markets*, Reprint No. 59 (Berkeley: Institute of Industrial Relations, University of California, 1954), p. 93.

the labor market he may be found, is limited in so far as his powers of competition are concerned to a rather narrow range of occupations due to a number of factors. Some of these factors may be personal in nature, related to native abilities, and others may be a result of economic and institutional arrangements within the environment.

The above observation is especially pertinent to the short-run concept of the labor market. As Professor Kerr observes, in the long run the idea of *the* labor market may possess some validity, since with the passing of time and generations, individuals and/or their descendants will have time to prepare for various types and levels of work. In the short run, however, it is more meaningful to think of not one but rather several labor markets. This is so not only from a geographical or regional standpoint, but also from an occupational standpoint. Thus, reference is sometimes made to a national labor market or, more frequently, to a local labor market. Since the cost of moving long distances may constitute a sizable barrier for most working-class families—especially when social costs and monetary costs are both considered, the national labor market concept is not meaningful for most employments. Therefore, the local labor market from a geographical viewpoint is much more applicable for all intents and purposes to the members of the industrial working class.

Even the defining of the local labor market, however, has tended to defy precision. Some have referred to it as a geographic locality which affords ease of commuting and within which most persons have their employment. Because of differences in commuting facilities, local labor markets would obviously vary in size at a given period of time. The local labor market has also undergone a gradual expansion in size as the nation has industrialized and, at the same time, improved its transportation and communications media. Aside from geographic ramifications, many writers have referred to separate markets for different types and grades of workers within a given locality, thereby trying to make adjustments for the existence of *noncompeting* groups. Hence, reference in this sense might be made to a local market for unskilled laborers or one for clerical employees and the like. This approach is reasonable when it is considered that a typist does not *really* compete with an unskilled laborer, even though they both reside within the same geographic labor market.

It should also be noted in passing that, as Professor Kerr has pointed out, the labor market or markets seem to perform more adequately during periods of full or high-level employment than during periods of recession or depression.¹³ This is seemingly true because of the fact that

¹³ Clark Kerr, "Labor Markets: Their Character and Consequences," *Proceedings of Second Annual Meeting of Industrial Relations Research Association*, 1949, Publication No. 4 (Madison, Wis., 1950), p. 72.

in periods of full employment, more jobs are open, and uncertainty of employment is therefore viewed by the worker as much less of a barrier to movement than it is during periods of widespread unemployment. This, in part, provides an explanation for the narrowing of wage differentials in periods of plentiful jobs and full employment.

Industrialization and Labor Markets

Since the principal thesis of this course is that the major problem areas and insecurities of the labor market are an outgrowth of the impact which industrialization has had on the labor market or markets, some of these effects will now be briefly reviewed. Succeeding chapters will have occasion to return to these impacts for closer inspection and analysis.

One of the most important and apparent impacts of industrialization on the labor markets of the economy has been that of the reapportionment of persons in the economy as between the employed and the employing groups. Thus, one of the essential characteristics of the labor markets of the industrial society is that the vast majority of individuals are and must remain employees, while a relatively small minority function either as employing persons or, with increasing frequency, as employed managers of relatively large employing units. In the United States, probably as much as 80 percent of its citizens are employees, with only 20 percent being in positions of varying degrees of control and direction of the majority. Needless to say, almost, the vast majority of the employed individuals are members of the working class, or "labor," and, as such, are intensely interested in short-run wage levels, working hours, and working conditions.

With the transformation of the average person to the level of an industrial worker, a pronounced shift in relative bargaining power is also accomplished through the industrialization process. As the average employing unit becomes larger in size, its bargaining power also expands while, at the same time, the bargaining power of the individual worker shrinks and eventually becomes almost meaningless for all practical purposes. Therefore, the individual worker loses control over the determination of factors quite basic to him, such as his wage, the length of time he works per day or per week, and the environment within which he carries on his assigned work. This impact of industrialization has been productive in every industrial society of vast repercussions in the form of the growth of institutions for the carrying-on of *collective* bargaining as opposed to individual bargaining. And of course, stemming from this primary development have been a number of secondary developments which have permeated the whole of the society's economic, political, and social framework.

Not only has industrialization produced divergent trends in the bar-

gaining power of buyers and sellers within labor markets; it has also introduced imperfections of competition in the form of *monopsonistic* power or elements thereof wielded by the larger employing units in many labor markets. Thus, this development was added to other elements of imperfect competition which becloud the determination of wages, hours, and working conditions. In turn, the growth of monopsonistic power on the side of the employing units inevitably has led to the development of what has been called by Professor Galbraith a sort of *countervailing monopoly* power on the side of labor within labor markets, in the form of large and often potent labor unions.¹⁴ Although Professor Galbraith refers to the development of countervailing power in commodity and factor markets other than labor markets, it is his contention that the labor markets have witnessed the growth of countervailing power to a greater extent than any other markets. Professor Galbraith further notes that this countervailing power tends to assume within the labor markets the policing function which classical economists assumed would be adequately discharged by the force of free competition.

Still another development within the labor markets, in part attributable to industrialization, has been what Professor Kerr has termed the "Balkanization" of the markets.¹⁵ Reference here is made to the development of institutional divisions within labor markets. These divisions are in turn surrounded by barricades of varying heights in the form of rules and regulations of modern labor market institutions, such as the trade union, the employing unit, and government. Thus, institutional rules such as the membership and seniority rules of labor unions or the social security enactments of federal and state governments, to name only a few, tend to have certain indeterminate effects upon labor markets, such as the slowing-down of labor mobility and the strengthening of the barriers between the noncompeting groups in the labor markets. The overall effect is that of contributing to the growing imperfections of competition within labor markets, but to what extent is not clearly discernible. This much is apparent, however: that the center of control within labor markets has been shifted from the individual worker and proprietor to the bureaucratic management of the corporation and the labor union, with a dash of governmental intervention tossed in for good measure.

Many of the above labor market transformations have been cause for concern in many quarters with respect to the degree of competition and mobility which remains in labor markets. As a result, some writers, e.g., Sir William Beveridge of England, have advocated the establishment of

¹⁴ John K. Galbraith, *American Capitalism* (rev. ed.; Boston: Houghton Mifflin Co., 1956), chap. ix.

¹⁵ Kerr, *The Balkanization of Labor Markets*.

"organized mobility" in the labor market.¹⁶ This goal, in the estimation of Sir William Beveridge, is largely attainable by way of the insuring of full employment, since barriers to labor mobility tend to be weakened when jobs are plentiful. Other writers contend that full employment in and of itself will not produce the degree of mobility within labor markets which Sir William Beveridge desires. This contention is usually premised on the observation that even with full employment, craft and industrial unions will still want to control entrance to the craft and/or to set up seniority rules.¹⁷ It might be observed also that even with full employment, devices such as pension programs and profit-sharing arrangements may continue to tie the worker to his present firm.

Some of the concern noted above may be overemphasized, since a great deal depends upon how the term *labor market mobility* is defined. Does it mean that each worker must be ready to move to another firm simply because he learns of a very slight increase in wage rates at that firm? Many students of this problem could be found who would disagree with this conception of mobility. It is possible that only a relatively small fraction of the labor force needs to be mobile to insure a satisfactory degree of mobility. Perhaps if 10 to 15 percent of workers of various grades were relatively mobile, this would be sufficient for all practical purposes. Government can aid in providing requisite mobility in at least two ways: (1) by the use of appropriate monetary and fiscal policy for the assurance of high levels of employment and (2) by provision of constantly improved employment exchanges designed to acquaint workers who do not have jobs, as well as workers dissatisfied in current jobs, with job opportunities.

An additional impact which industrialization has had on the labor markets of the economy is that of causing relationships between buyers and sellers in such markets to become increasingly impersonal in nature. Thus, the ultimate buyer in the labor markets is frequently the corporation, whose real owners—the stockholders—are far removed from the labor market scene. Consequently, the crucial relationships within labor markets are increasingly taking place between workmen seeking jobs and bureaucratic administrative officials representing the corporate ownership. The impersonality of the market relationships carries over, of course, into the work-place and is responsible for much of the suspicion and distrust which arises between labor and management. From this breeding ground come many of the institutional clashes and resulting work stoppages which pose as obstacles to the maximization of production by the firm and the economy.

Finally, industrialization makes imperative the development of a

¹⁶ William H. Beveridge, *Full Employment in a Free Society* (New York: W. W. Norton & Co., Inc., 1945), p. 172.

¹⁷ Kerr, *The Balkanization of Labor Markets*, p. 109.

money-exchange type of economy. The advantages of such an economy are well recognized in the form of the efficiency and variety of exchange which it affords. At the same time it should be noted that whenever the circular flow of money is interrupted or seriously reduced for a large segment of the economy, many people can quickly be brought to dire straits. Thus, this impact of industrialization is at the bottom of such remedial measures as workmen's compensation, unemployment compensation, old age benefits, and medicare, which continue at least a minimum flow of funds to those whose income has been terminated or seriously reduced.

It should be noted in passing that the impacts of industrialization on the nation's labor markets are not purely historical. The industrialization process which began in the 18th century is still unfolding for the most advanced nations. For example, a recent gigantic step in this process has been that of automation, the impacts of which on the nation's labor markets are still in the process of being assessed. One thing is certain, there will be continuing impacts of industrialization on the nation's labor markets in the future with resultant problems demanding some sort of solution.

As a result of the foregoing major impacts which industrialization has exerted upon the labor markets, a number of problem areas and areas of uncertainty exist in the industrial economy. There are problem areas with respect to the determination of wages, the fixing of working hours, and the control of working conditions. Uncertainties with respect to employment are constantly present for the individual employee and tend to plague the economy as well. It is the existence of these very areas of labor market problems and uncertainties which brings about the sundry economic and institutional developments which succeeding chapters will discuss. Chapters 1 and 2 have merely laid the foundation for the superstructure which is still to be erected. The first steps in this process will be taken in the chapters immediately following this one, as the confusing problem area of wages is approached.

SUMMARY

The various labor force concepts which will be frequently used in this book having been defined, attention was given to the manner in which governmental agencies arrive at monthly estimates for the various concepts. As a result, it was concluded that the Bureau of the Census survey is the most complete in scope and that the survey of the Bureau of Labor Statistics yields the most accurate estimates of nonagricultural employment and unemployment. Unemployment, however, is much the most difficult concept to estimate accurately.

Trends in labor force composition were noted, with special reference

to age, sex, industrial, and occupational distribution of the gainfully employed. These trends, plus the growing importance of employment in service-producing industries as opposed to goods industries, all reflect a continual upgrading of the skill and income levels of the labor force.

The working class, or "labor," has been built over the decades since 1790 by recruits from the ranks of native artisans, immigration from other nations, and internal migration from rural, agricultural employments to urban, industrial employments. The latter movement is still progressing as the nation continues to reallocate its labor force hopefully in the direction of a more economic utilization thereof.

Finally, the impacts exerted by industrialization upon the labor market have been profound. The results of these impacts have been the emergence of problems and institutional developments which will be treated in this book.

DISCUSSION QUESTIONS

1. Why does the nation's labor force vary from month to month? Explain the fact that the labor force increases more in some years than in others.
2. Why should it be more difficult to estimate the level of unemployment than the other labor force concepts? What relationship between reported unemployment and involuntary cuts in working hours can you see?
3. Which method of gathering labor force data—the mailed questionnaire or the personal interview—would elicit the most accurate information, in your opinion? Why? Which source of data—the household or business firm—would yield the most accurate information? Why?
4. Under what conditions could the proportion of teen-age employees rise markedly? Should child labor laws be amended so as to permit more employment of children?
5. Do you think that the low percentage of unemployment registered for persons 65 and over reflects their desire to be employed? Why?
6. Analyze the reasons for the increase in the percentage of adult women in the labor force. Discuss possible influences on future trends in this connection.
7. What are some factors which may influence a nation's labor force participation rate over time?
8. What are some of the implications stemming from the shift in employment from manual occupations to white-collar occupations? From goods industries to service-producing industries?
9. To what extent is it correct to refer to the United States as a classless society? Does the United States have a working class?
10. Which of the impacts of industrialization upon the labor market have led to the formation of labor unions? The creation of personnel management departments?

SELECTED READINGS

- American Women.* Report of the President's Commission on the Status of Women. Washington, D.C.: Women's Bureau, U.S. Department of Labor, 1963.
- BARACH, ARNOLD B., and MODLEY, RUDOLPH. *U.S.A. and its Economic Future.* A Twentieth Century Fund Survey. New York: The Macmillan Company, 1964.
- COMMITTEE FOR ECONOMIC DEVELOPMENT. *An Adaptive Program for Agriculture.* A Statement on National Policy by the Research and Policy Committee of the CED, New York, N.Y., 1962.
- GINZBERG, ELI. *The Development of Human Resources.* New York: McGraw-Hill Book Company, 1966.
- GINZBERG, ELI; GORDON, MARGARET; McNALLY, GERTRUDE BANCROFT; OPENHEIMER, VALERIE KINCADE; and WILENSKY, HAROLD. "A Symposium: Women in the Labor Force," *Industrial Relations*, Vol. 7, No. 3, May, 1968.
- MYERS, CHARLES A., and SCHULTZ, GEORGE P. *The Dynamics of a Labor Market.* New York: Prentice-Hall, Inc., 1951.
- PARNES, H. S. *Research on Labor Mobility.* New York: Social Science Research Council, 1954.
- PERELLA, VERA C. "Women in the Labor Force," *Monthly Labor Review*, February, 1968, pp. 1-12.
- SCOVILLE, JAMES G. *The Job Content of the U.S. Economy, 1940-1970.* New York: McGraw-Hill Book Company, 1969.
- Special Labor Force Report.* No. 24. Bureau of Labor Statistics. Washington, D.C.,: U.S. Department of Labor, 1962.
- STIGLER, GEORGE J. *Trends in Employment in the Service Industries.* A study by the National Bureau of Economic Research. Princeton: Princeton University Press, 1956.
- THOMPSON, WARREN S. *Population Problems.* New York: McGraw-Hill Book Co., Inc., 1953.
- WOYTINSKY, W. S., and ASSOCIATES. *Employment and Wages in the United States.* New York: Twentieth Century Fund, 1953.

PART II

Economic Problems of the Industrial Labor Market

In Part II, the major problem areas of the labor markets of an industrial nation are analyzed. These problem areas have either been created or intensified by the continuing impacts of industrialization on the labor markets. Chapters 3, 4, and 5 are devoted to three aspects of wages: wage theory, short-run wage determination, and modern wage trends. In Chapter 6, the related problem area of working hours is probed while Chapter 7 is addressed to the complex problem area of working conditions.

The remaining chapters of Part II are concerned with the major economic insecurities of industrial workers—insecurities which also stem from or are intensified by the impacts of industrialization on labor markets. Thus, Chapters 8, 9, and 10 are involved with sundry aspects of employment insecurity which beset the industrial worker as well as with those insecurities relative to industrial disabilities and the process of aging.

NATURE AND THEORY OF WAGES

Of the various problem areas which the impact of industrialization upon the labor market has produced, perhaps the most crucial and challenging is that of wages. Within this problem area are lodged the interest of the entrepreneur in wages as a major cost of production as well as the interest of the employee in wages as a prime, if not sole, source of income and codeterminant of living scale. The basic problem arose as labor was inexorably brought into the labor market as an impersonal and seemingly inert commodity during the early stages of industrialization. The problem has continued to loom as one of prime significance with the maturation of the industrial economy, despite the fact that the commodity concept of labor has been softened, if not disposed of, with the growth of modern institutions.¹

The importance of the wage problem in an industrial society becomes apparent when it is recognized that over three fourths of the people in a mature industrial economy may receive their remuneration in the form of wages or salaries. Also underscoring the importance of wages is the fact that in a typical year, from 65 to 70 percent of the national income of a nation like the United States will be found to consist of compensation of employees, while a similar proportion of the nation's total production costs is likewise attributable to wages and salaries. Many elements of confusion are commonly found in discussions regarding wages. In part, these confusions arise from the divergent single firm (micro) and the total economy (macro) approaches. Still other confusion arises out of conflicting short-run and long-run analyses of wages. Thus, while it is generally held that a wage increase which is confined to a single firm will usually necessitate a cutback in the firm's employment of labor, it does not necessarily follow that the same result will obtain following a gen-

¹ Karl Polanyi, *The Great Transformation* (New York: Rinehart & Co., Inc., 1944).

eral, nationwide wage increase. The principal reason for this seeming inconsistency is the fact that in reasoning from the viewpoint of the firm, the crucial assumption is usually made that prices and wages elsewhere are going to remain constant, hence assuring a constancy in the firm's marginal revenue function. When a nationwide upward movement of wages is involved, however, these assumptions are not necessarily valid if there is a general increase in monetary holdings of the nation's population. If the firm's marginal revenue function, influenced by the increase in the money supply, moves favorably to a degree commensurate with the wage increase in the firm, employment of labor need not decline. Similarly, short-run considerations by members of management and/or by union leaders may lead them toward wage decisions wholly untenable from an economic standpoint in the long run. For example, a union which for some reason has unusual bargaining power in a given short-run situation may be tempted to shoot for very high money wage rates which in the longer run could mean serious reductions in employment of union members. By the same token, a firm with great bargaining power in a given short-run situation might be tempted to cut wages only to learn in the longer run that this move has made it impossible to retain an adequate work force.

Further clouding the understanding of the wage problem is the high degree of emotionalism which pervades discussions of wage movements. With the vast majority of individuals within an industrial nation falling in the category of either employer or employee, virtually any suggested wage adjustment is apt to bring instantaneous and negative reactions from members of one or both categories. Unfortunately, as has often been observed, emotionalism generates much more heat than light and consequently does not contribute to a better understanding of the wage phenomenon.

Confusion over wages is also often engendered by a failure on the part of individuals to differentiate between *money-wage* levels and movements and *real-wage* levels and movements. The former are much more apparent and tempting in so far as the typical wage or salary recipient is concerned. However, *real-wage* movements do not always coincide with *money-wage* movements in either proportion or direction. Yet there is an inevitable feeling on the part of the recipient that if his money income is rising, he somehow must be faring better economically. Part of this feeling may be due to the money illusion most people are alleged to have; part of it may be due to the feeling that pushing up money income seems to be a logical defensive maneuver in a period of generally rising incomes and prices. In the process, each individual may entertain the hope that at best he might gain some economic ground on the human pack; at the worst he hopes to keep even with the rest in the inflationary spiral. It should be noted that the term "money wage" as used herein

refers to actual dollars and cents received by the worker from his employing unit for services performed. Real wages, on the other hand, refer to the amount of goods and services which money received will command in the nation's market places, thus being a function of money received *and* the prices charged for goods and services. It should be apparent that money wages could rise while real wages are falling, assuming that the prices of goods and services bought have risen more steeply than money wages.

Further complicating the process of wage determination is the growth in the complexity of the productive process as the division of labor, specialization, and machine production have been developed. This has had a tendency to make extremely difficult the satisfactory determination of the worth of an individual's efforts as he makes his contribution to production. It was relatively simple for the primitive society to determine the productive worth of its members when this only entailed a counting of fish and game procured. It was even relatively easy to measure the value of an individual's productive efforts when he produced a complete pair of shoes or some other article in a medieval cottage factory. By contrast, the task of ascertaining the worth of the routine efforts of a person working on the assembly line of a modern automobile factory or the value of the work of a filing clerk in the office of the same factory looms as a formidable operation. Yet, each of these individuals plus many more have legitimate claims to some proportion of the market value of the finished automobile, since it could not have been brought to the market without these various employees' contributions.

Involved in the complex operation of fixing a price tag on the productive efforts of millions of employed persons is the fact that the individual employee's *control* over his wage has dwindled with the growth of industrialization. Thus, under conditions of cottage factory production, the individual journeyman could exercise some control over his ultimate income through varying the quality and the speed of his productive efforts. Under modern complex methods of production in the industrial society, the individual worker's income may well depend not so much upon his efficiency, his ambition, or the quality of his work as upon forces operating within his firm, the industry, or the economy clearly outside his control. Included among these factors would be items such as the managerial efficiency and alertness possessed by the firm and the state of general economic conditions. Thus, despite no change in a given worker's ambition, industry, or work quality, he may suddenly find himself without work and income due to the development of recession conditions in the economy which necessitate his temporary or extended layoff.

But despite the difficulties noted with respect to wages, they *are* determined periodically for millions of employees with an almost miracu-

lous absence of trouble in the vast majority of instances. Probably over 97 percent of the more than 116,000 labor/management wage agreements which now exist in the United States are negotiated without a work stoppage due to strike or lockout. To be sure, the resulting wages are not completely satisfactory to all concerned, invariably appearing to be too high in the eyes of the employer and too low in the estimation of the employee. The important point, however, is that wages of individuals as well as the wage level of the economy are constantly being determined in some manner or other.

Ever since the inception of the wage system, economic theoreticians have attempted to explain the wage phenomenon in rational, scientific formulations or theories. In this venture, most writers have tried to account for the fundamental reasons for wage differentials as well as the forces which are basically instrumental in determining the overall wage level. Many of these academic ventures have proved to be totally erroneous, with a resulting abandonment of once-accepted wage theories. Other formulations, notably some devised over the past eighty years, have contributed to a better, if not complete, understanding of the wage phenomenon. Even the most widely accepted theoretical explanations, however, still leave something to be desired, with the result that increasing criticism of accepted theories along with pleas for their revision have been forthcoming during the past two decades or more.

In order that the student may be aware of the experiments in wage theorizing which have transpired since the coming of the wage system, this chapter will trace briefly the growth of wage theories. Emphasis will be centered on the more widely discussed and accepted theories of the past and present, with little or no attention being directed to the clearly unimportant theories which have been promulgated from time to time. Succeeding chapters will deal with actual short-run wage determination as well as some of the major trends which have developed in recent decades within the area of wages.

WAGE THEORY PRIOR TO 1890

Wage theories which arose prior to the 1890's are often referred to collectively as classical theories, growing as they did out of the English classical school of economics which emerged in the early part of the nineteenth century around the followers of Adam Smith. The major wage theories of this category include the subsistence theory, the wage theorizing of Adam Smith, and the wages fund theory.

Subsistence Wage Theory

The French physiocratic writers Turgot and Quesnay laid the foundations of this wage theory in the early portion of the eighteenth century

and before the Industrial Revolution had progressed very far in England. Later, the theory was commented upon and revised by Adam Smith, David Ricardo, and other English writers.

Stated in simple terms, the theory held that wages of laborers in the industrial society would tend to hover about the level of subsistence, a level which literally meant the difference between life and death as originally interpreted. Implicit was the belief that workers would tend to receive an amount necessary to support themselves and their families to the extent demanded for the reproduction of an adequate labor force for the society in the future. If, for some reason, wages should rise temporarily above the subsistence level, upward changes in the rate of growth of the working-class population would so increase the supply of labor eventually as to pull wages down once again toward the subsistence level. By the same token, if wages should temporarily drop below the subsistence level, this too would only be of limited duration, since the labor supply would be so decimated by disease, malnutrition, and lowered birth rates that wages would eventually rise toward the subsistence level.

The subsistence theory thus approached the wage phenomenon from the supply side of the labor market and made fluctuations in the rate of working-class population growth the principal variable which would tend to equate wages with subsistence. The theory did not attempt to account for wage differentials which were already in existence between various grades of labor in the eighteenth century, nor did it satisfactorily explain the tendency for wages of a given group at a given time and place to rise above subsistence and to remain there for extended periods. While the theory today seems naïve and totally inadequate, it should be noted that the art of economic theorizing was embryonic in the eighteenth century; the labor market, as it is known today, had not been developed; and the extreme poverty of working classes everywhere exerted a profound influence upon the early theorists. It is not even too surprising to learn that they were often led to conclude that the subsistence level to which their theorizing doomed the members of the working class was a result of the operation of *natural* law and hence irrefutable.

Adam Smith on Wages. Adam Smith did not formulate a single, clearly defined wage theory; but in his several writings on wages, he managed to anticipate several later theoretical statements. Thus, in his observation that in a stationary state of society, laborers would tend naturally to multiply beyond their employments and would thus drive wages to the subsistence level, Smith seems to be anticipating the population theory of Thomas Malthus, which was not published until the 1790's, or about twenty years after Smith's *Wealth of Nations*. Likewise, in his observation that the demand for workers is incapable of increasing out of proportion to the increase in the funds designed for wage payment,

Smith was coming close to the wages fund theory of Mill and others, which was not published until the 1820's.

Adam Smith's writings relative to wages are much more optimistic with respect to labor's progress over time than were those of the physiocrats. His principal doctrine is essentially that wages are dependent upon the supply of and the demand for workers in the economy. Labor supply is seen by Smith as limited, with a minimum being set by the price of "necessaries" of life or by the "ordinary price of provisions." Smith defined the term *necessaries* as consisting of "whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without."² Demand for labor, on the other hand, is viewed as being dependent upon the surplus stock of a nation or the national wealth. Increase in the national wealth is pictured as being the most important single factor in the determination of wage levels. "It is not, accordingly, in the richest countries, but in the most thriving, or in those which are growing rich the fastest, that the wages of labour are highest. . . . Though the wealth of a country should be very great, yet if it has long been stationary, we must not expect to find the wages of labour very high in it."³

For an understanding of Smith's relatively optimistic views concerning the future income possibilities for labor, it should be recalled that conditions of English labor, while still deplorable in the main, were considerably improved by the 1770's and showed signs of further improvement yet to come. Thus, Adam Smith was quite naturally led to take a more optimistic approach to the explanation of general wage levels than did the originators of the subsistence wage theory. Smith also attempted to account for the wage differentials which he observed by noting that, other things being equal, the wage rate for a specific job would be governed by (1) the relatively pleasant or unpleasant nature of the work, (2) the relative cost of training for the job, (3) the relative regularity of employment on the job, (4) the relative amount of responsibility associated with the job, and (5) the relative opportunity for advancement on the job. Although labor organizations were beginning to form in Adam Smith's time, he failed to see them as playing a very significant role in wage determination. It was his contention that the "masters" would tend always to possess superior organization and hence superior bargaining power to that of the more weakly organized "servants."

It thus becomes apparent that the general economic, social, and political conditions existing at a given time have played an important role in shaping existing wage theory. This tends to leave the student with

² Adam Smith, *Wealth of Nations* (Modern Library; New York: Random House, 1937), Book I, chaps. viii-ix.

³ *Ibid.*

the feeling that in the early stages of industrialization, at least, "wage theories" were primarily educated rationalizations of what was observed, reinforced by attempts to link the rationalizations to "natural law," rather than scientific, objective, theoretical explanations of the wage phenomenon. Such a development has been observed frequently in the infant stages of many disciplines, and it is often not terminated with maturity, unfortunately.

Ricardo on Wages. While the physiocratic subsistence theory of wages suffered somewhat under the optimistic approach of Adam Smith, it was revived and modified to some extent by David Ricardo in the early years of the nineteenth century. Ricardo theorized that labor possessed both a "natural" and a "market" price, with the former being equal to that "which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without increase or diminution."⁴

The *natural* price of labor was viewed by Ricardo as rising and falling with the price of necessities. *Market* price, on the other hand, was depicted as the price actually paid for labor and, as such, dependent upon the demand for and the supply of labor. While the market price might deviate from the natural price of labor, Ricardo was of the opinion that changes in the rate of growth of the working-class population would bring the two once again toward equilibrium. Ricardo noted, however, that the market price for labor in an "improving society" might remain above the natural price of labor for an indefinite period of time. Adam Smith's influence may be detected in this and other aspects of Ricardo's writings on wages.

Wages, as viewed by Ricardo, are subject to fluctuation due to two causes: supply of and demand for laborers, and changes in the price of commodities upon which wages are expended. Demand for labor is explained as being influenced by the growth of capital in a nation which, under favorable conditions such as are found in a "new settlement," can be more rapid than the growth in the working-class population, thus causing wages to rise. In the natural advancement of a society, however, Ricardo held to the opinion that wages would have a tendency to fall, since the supply of laborers could be expected to continue to increase at about a constant rate, whereas the demand for labor would tend to increase at a declining rate with the passage of time.

In urging the establishment of a free labor market, Ricardo noted: "Like all other contracts, wages should be left to the fair and free competition of the market and should never be controlled by interference of the legislature." Poor laws were seen as media which do not make the poor rich but rather make the rich poor. The well-being of the

⁴ David Ricardo, *Principles of Political Economy and Taxation* (1817), in Leonard Dalton Abbott (ed.), *Masterworks of Economics* (Garden City, N.Y.: Doubleday & Co., Inc., 1948).

poor, in Ricardo's estimation, could not permanently be secured without some regard on their part or some effort on the part of society to regulate the increase of their numbers and to render less frequent among them early and improvident marriages. Poor laws, in the opinion of Ricardo, work in the opposite direction and thus tend to deter the poor from learning the values of independence, prudence, and forethought. Not only the economic concept of the free market and the political ideal of laissez faire are involved in these expressions of Ricardo, but he also links his observations with the population theory of Thomas Malthus. The latter often-quoted theory held that population tends to increase more or less at a geometric ratio, whereas the necessities of life in a society are increased only at an arithmetic ratio. Population which thus outruns its sustenance is then thinned out by such agencies as crime, malnutrition, disease, war, and falling birth rates. The lesson for labor stemming from the combined theorizing of Malthus and Ricardo was obvious: The long-run welfare of the members of the working class can only be assured through the regulation, in some manner, of their rate of increase.

Wages Fund Theory

During the first half of the nineteenth century, the wages fund theory was introduced by John Stuart Mill and others as the successor to the waning subsistence theory. The following lines from Mill outline the "new" theory:

Wages (meaning, of course, the general rate) cannot rise but by an increase of the aggregate funds employed in hiring labourers, or a diminution in the number of competitors for hire; nor fall, except either by a diminution of the funds devoted to paying labour, or by an increase in the number of labourers to be paid.

Wages depend, then, on the proportion between the number of the labouring population, and the capital or other funds devoted to the purchase of labour; we will say, for shortness, capital.⁵

The "capital" available for the payment of wages was depicted as being in the hands of employers and also as being a fixed fund which was incapable of being altered in the short run. The fund was viewed as fixed by the operation of inexorable economic laws which also fixed the returns going to the other factors of production in the free market.

Proponents of this theory, along with Mill originally, took a dim view of any attempts made to better the lot of laborers via organization of workers and/or governmental intervention. "The condition of the class

⁵ John Stuart Mill, *Principles of Political Economy* (London: Routledge, 1891), Book Two, "Distribution"; Part II, "Of Wages."

can be bettered in no other way than by altering that proportion [capital to population] to their advantage; every scheme for their benefit, which does not proceed on this as its foundation, is, for all permanent purposes, a delusion."

Thus, it was concluded that if, for example, a given group of workers should succeed, by way of aggressive collective bargaining, in getting an increase in wages, this could only result in smaller shares going to the unorganized or weakly organized segments of the working class. By the same token, state-sponsored minimum-wage legislation would benefit the few (lowest paid workers) at the expense of the many in the labor force of a society.

Mill's theory was frequently attacked, especially in so far as it assumed a *fixed* fund for the payment of wages. Consequently, Mill eventually yielded to the criticism and, in 1869, repudiated the entire wages fund theory on the grounds of its invalidity.

Nassau Senior, an English economist, modified the wages fund theory in 1850 to such an extent that he came very close to modern wage theory. Stressing *real* as opposed to *money* wages, Senior rejected the idea of wage rates being determined by the ratio of the amount of capital or total national product to the number of workers. He contended instead that the "wages fund" should be viewed as the workers' share in current production. In this light the wages fund was held as being determined by (1) the productiveness of labor in direct or indirect production of commodities used by labor and (2) the number of persons directly or indirectly employed in the production of these commodities. In emphasizing the concept of labor's *productiveness*, Senior was not only anticipating modern theory, in part, but he was also holding out a relatively optimistic future for labor with respect to its income potentials, just as he was implying some possibility for control on the part of labor over its income potentials.⁶ Thus, the idea was advanced that some increase in real wages is possible even in the short run, in so far as productivity and hence current production make it possible. On the other hand, there was also implicit in Senior's theorizing the fact that limits as to the possibilities for short-run increases in real wages exist in that within a given period the "state of the arts" as well as the qualitative aspects of the labor force will prevent sizable increases in real wages or other real incomes from taking place. Fewer limitations exist relative to long-run real wage progress, of course, since both the quantity and the quality of capital utilized in production, as well as the quality of the labor force, can be so altered over the long run as to permit sizable increases in real wages.

The writings of F. A. Walker and F. W. Taussig some years later in

⁶ Nassau Senior, *Political Economy* (London: Griffin, 1850).

the United States tended to reinforce the position taken by Senior. While a fixed and special wages fund, as envisioned by Mill, was therefore repudiated by his successors, the idea of short-run limits on the possible increases which might occur in real wages was retained, while the addition of the concept of labor's productiveness went a step farther and anticipated essential elements of the next major theory.

WAGE THEORY SINCE 1890

Wage theory since 1890 has often been referred to as "modern wage theory," since the predominant theories which have arisen since 1890 are still very widely acknowledged and/or accepted. Notable among the theoretical attempts to explain wages in this period have been the marginal productivity theory and the bargaining power theory.

Marginal Productivity Theory

The marginal productivity theory of wages is the oldest of the so-called "modern" theories, having been advanced by the English economist Alfred Marshall and the American theoretician John Bates Clark during the 1890's. This formulation is, in all probability, still the most widely recognized by academicians as the most satisfactory explanation to date of long-run wage levels. Large numbers of academicians even maintain that the theory is equally applicable to short-run wage determination as well.

Marshall, in propounding the theory, made the usual assumptions of classical economics with respect to the perfectly competitive economy: full employment of resources, perfect mobility of factors of production, perfect knowledge of prices and wages on the part of all concerned, and rational economic motivation on the part of consumers as well as factor suppliers and users. Proceeding from these assumptions, Marshall noted that the alert entrepreneur, always in search of the most profitable application of available resources, will tend to make use of each factor of production up to that margin at which he would gain by transferring a small part of his expenditure to some other factor. Marshall further pointed out that this principle of substitution so adjusts the employment of each factor that, in its marginal application, the cost of each factor is proportionate to the additional net product resulting from its use. Thus, the entrepreneur was pictured as constantly trying to ascertain where the expenditure of a given amount of money will bring to the firm the greatest net return: expenditures for additional labor, for new equipment, or for some other addition. The net result of all this maneuvering is that each factor tends to be applied in production as far as it profitably can be, in the judgment of the entrepreneur.

Hence, the theory concludes that over the long run, each factor of production will tend to receive remuneration which is equal to its marginal contribution to the production process. Marshall was well aware of the mutual dependence of each factor upon the others in production. "The prosperity of each [capital and labor] is bound up with the strength and activity of the other; though each may gain temporarily, if not permanently, a somewhat larger share of the national dividend at the expense of the other."⁷

A significant element of the theory, it should be noted, is the assumption that the entrepreneur strives to maximize profits at all times or, in other words, that he is constantly motivated by the rational economic motives of the so-called *economic man* as introduced by earlier writers starting with Adam Smith. Recent criticisms of the theory have singled out this facet as the weakest link in the whole formulation, and this will be dealt with later in this chapter.

To expand the theory in more specific and modern terms, it is held that the individual employer will find it profitable to continue to expand his employment of labor until the equilibrium point between the marginal cost and the marginal revenue product of labor is reached. Marginal cost of labor is defined as the addition to total cost arising from the employment of an additional unit of labor. Marginal revenue product of labor is the addition to the total revenue of the firm stemming from the employment of an additional unit of labor.

In the case of a perfectly competitive labor market, the individual employer will determine the optimum number of units of labor to use in accordance with the process depicted in Figure 3-1. The firm's demand for labor is represented by line DD' and is determined by the marginal revenue product of labor. This line is typically shown as a descending line, owing principally to the existence of two important economic laws: the law of diminishing returns and the law of scale. The former limits the amount of any one factor which can be profitably combined with other given factors, while the law of scale limits the size of plant or combination of all factors which can profitably be maintained during a given period of time. In other words, the principle of diminishing returns states that beyond a certain point adding units of *one* factor of production such as labor while holding other factors constant will result in less than proportionate returns. The law of scale states that beyond a certain point, adding units of all factors of production (size of plant) will result in less than proportionate returns.

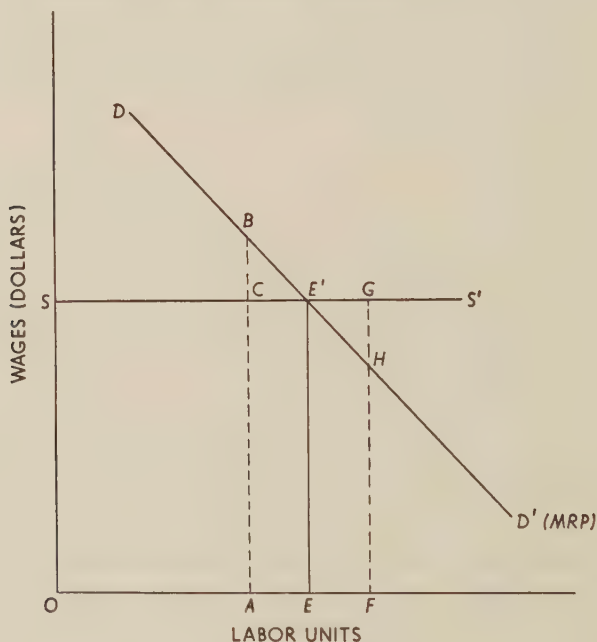
The supply of labor in a perfectly competitive labor market would be perfectly elastic, as illustrated by the line SS' . That is, increasing units of labor (within limits) can be employed by the firm at the going or

⁷ Alfred Marshall, *Principles of Economics* (8th ed.; London: MacMillan & Co., Ltd., 1920), p. 544.

established hourly rate. Since this is the case, the supply line of labor, SS' , would also represent the wage line, the average cost line, and the marginal cost line of labor.

The equilibrium point between labor's marginal revenue product and its marginal cost, point E' , indicates that OE units of labor would constitute the most profitable number of labor units for the firm to employ, given the wage and supply line of labor, SS' . For the employer

Figure 3-1 Marginal productivity theory and the firm in a perfectly competitive labor market



to cease employing labor units short of point E' would mean that he would fail to maximize his returns from the labor resource. For example, if the employer were to employ only OA units of labor, he would fail to maximize his returns from the use of labor to the extent represented by the triangle BCE' , since this area is characterized by the marginal revenue product of labor lying above its marginal cost. By the same token, for the employer to employ more than OE units of labor would also keep him from maximizing his returns from the use of the labor resource. For example, if the employer were to employ OF units of labor, his failure to maximize returns would be represented by the triangle GHE' , since this area is characterized by an excess of marginal cost of labor over its marginal revenue product. Therefore, the employment of

labor units from *E* to *F* would result in the firm's paying more for these units of labor than they would be contributing to the firm's total revenue.

In the hypothetical case just noted, it will be observed that everything is expected to work nicely to perfection, an expectation which has relevance, of course, only in the classroom. Thus, the entrepreneur in actuality does not possess the perfect knowledge assumed in the illustration and consequently cannot adjust his employment of labor units exactly. He is further plagued by constant dynamic changes in the economic setting, of which his firm is only a small part, as well as by all the uncertainties which the organization of his employees may bring to bear upon his planning. As a result, the entrepreneur, functioning in the real world, can only approximate the most profitable use of resources and hence the maximization of profits.

Further reference to Figure 3-1 makes it apparent that if wages were to rise suddenly, with other things remaining equal, inevitably it would be profitable for the firm to employ fewer labor units, since the equilibrium point between labor's marginal cost and marginal revenue product would move to the left. By the same token, a sudden decline in wages, other things remaining constant, would result in the firm being able to employ more labor units profitably. Obviously, these conclusions would not follow if, when wages rise or fall, the marginal revenue product of labor should also move in a corresponding direction. Under such a set of circumstances, a wage increase might well be followed by no change in employment, or even by an increase therein, while a decline in wages might likewise be followed by no change in employment, or even a decline therein. In other words, while wage changes will definitely alter the marginal cost line of labor, it does not necessarily follow that the marginal revenue product line will remain unchanged. Such would usually not be the case if the wage changes were more or less general throughout the economy as opposed to wage changes confined to the firm.

While the hypothetical example in Figure 3-1 deals only with the firm's decisions with regard to the number of labor units to employ, it should be noted that similar considerations take place with respect to each of the other factors as well. Thus, at a given time, it will pay the firm most to add units of that factor of production for which the ratio between its marginal revenue product and its marginal cost is greatest. Through this process, if continued to its ultimate point, the firm would theoretically bring the employment of each factor neatly to the point of equilibrium between the factor's marginal cost and marginal revenue product. Precisely at this point, of course, the firm would also automatically reap maximum profits.

Labor markets in actuality, and contrary to the one depicted in Figure

3-1, are prone to be other than perfectly competitive. For example, labor is often immobile to a degree occasioned by the preference on the part of workers for employment with a particular firm, not to mention other aspects of imperfection in the quality of competition. If it be assumed that no collusion occurs among employers, a situation described by economists as *monopsonistic competition* is said to exist, which is the counterpart of *monopolistic* competition in the commodity market. This causes the supply line of labor for the individual firm to be less than perfectly elastic, i.e., to induce additional workers to join the firm, successively higher rates of pay must be offered. Here the similarity between *monopolistic* competition in the commodity market and *monopsonistic* competition in the labor market may be seen. Thus, in the commodity market each firm markets a slightly differentiated commodity identified by a brand name. Because each brand has a relatively loyal core of customers who swear by its superiority, a competing firm wanting to lure customers away from Brand A must lower the price on Brand B enough to offset their preference for Brand A. By the same token, in the monopsonistically competitive labor market, employers maintain slightly differentiated packages of working conditions and each firm has a core of fairly loyal employees who are convinced that the package of working conditions in a given firm is superior to many or most others. Consequently, assuming high-level or full employment, a rival firm wanting to bid workers away must offer a high enough wage premium to offset their loyalties to their present firm as well as any other more general causes of labor immobility.

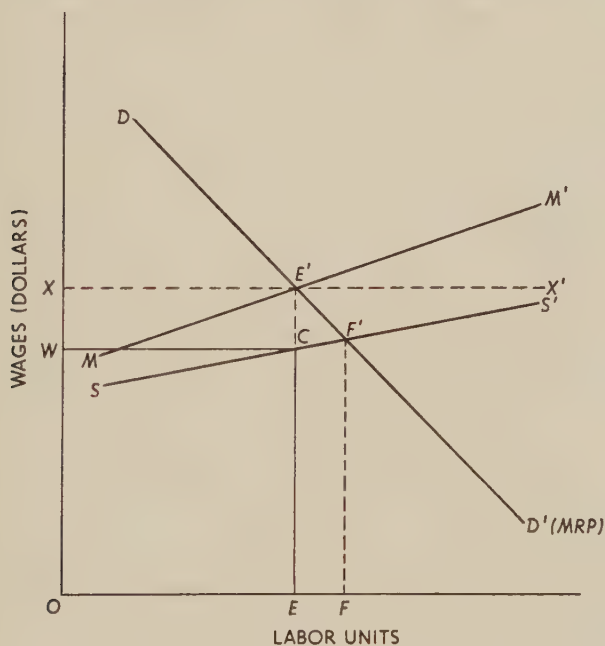
The type of labor market just described is illustrated in Figure 3-2, wherein the supply line of labor is represented by the upward-sloping SS' line. While the labor supply line will also represent the average cost and wage line of labor under these conditions, it will no longer represent the marginal cost line of labor. Labor's marginal cost line in Figure 3-2, line MM' , is shown above the supply and wage line, and rising more steeply than the latter. This occurs because the cost of employing additional units of labor will consist of successively higher wage rates plus outlays necessary to bring workers already with the firm up to the new wage level each time new labor units are hired.

By way of illustration, assume that a given firm is paying \$2.75 per hour for a given type of skilled labor and that it decides to add another group of workers of this skill level to its work force. To achieve this, however, it finds that it must offer \$3.00 per hour. In the interest of work force harmony,⁸ however, the firm must now bring the present workers up to \$3.00 per hour, so that the marginal cost of the additional labor units is not merely \$3.00 per hour but \$3.00 plus the requisite amount to

⁸ It should be noted that "work force harmony" is a pragmatic consideration which is not a part of the theory of marginal productivity.

bring the present workers' pay into line with that of the most recently employed units. Therefore, the marginal cost line of labor must lie above the wage and average cost line. Furthermore, the more labor units employed, the greater the differential between the two lines, since with each addition to the work force the greater is the outlay for bringing the current work force up to the hourly pay of the recruits.

Figure 3-2 Marginal productivity theory and the firm in a monopsonistically competitive labor market



It may further be seen from Figure 3-2 that under the conditions specified, the wage paid to the labor in question will always be below the marginal revenue product of labor, while the amount of labor units employed will always be less than would be the case if the labor supply line were perfectly elastic, as it would be in a perfectly competitive labor market. Thus, the equilibrium point between the marginal cost and the marginal revenue product of labor, point E' , indicates to the employer that OE units of labor would be the most profitable number to employ. OE units of labor, however, can be employed at a wage level OW , which is obviously below the marginal revenue product of OE units of labor. Further, had the labor supply line at point F' been perfectly elastic, OF units of labor would have been the most profitable number to employ, rather than OE units.

The case which has just been illustrated is frequently referred to as exploitation of labor stemming from monopsonistic conditions within the labor market. The situation has not been necessarily consciously arranged by the employer; but he nevertheless finds it to his interest to maintain it if possible, since he is thus enabled to secure the most profitable number of labor units without being required to pay a wage equal to their marginal revenue product. On the other side of the labor market, such a situation offers distinct advantages to labor's organization for collective bargaining or, to put it another way, to the exercise of some monopoly power as a counter to the employer's monopsonistic power. If the union in question should succeed in stabilizing the wage or "union scale" at OX and thus inaugurate a perfectly elastic labor supply line for labor, XX' , which runs precisely through point E' , labor would suffer no loss in employment; but it would have boosted its wage and, as a result, would have eliminated the exploitation noted above, since the wage would be nicely adjusted to the marginal revenue product of labor in this case. On the other hand, if the union became too aggressive or, through lack of knowledge and the like, managed to establish a perfectly elastic supply line *above* the line XX' , a decline in employment would inevitably result, assuming no change in the marginal revenue product line, since the $MC-MRP$ equilibrium point would move to the left.

It should be noted that the marginal productivity theory does not assert that wages are *determined* by labor's marginal productivity but rather that there is a long-run tendency for wages to hover about labor's marginal productivity. That is, in a given short-run specific instance, the wage which is set may turn out to be above, below, or just at the level of marginal productivity of the labor in question, assuming competition. The theory implies, however, that if the wage is above or below the level of marginal productivity, forces will eventually be set in motion to equate the wage and the marginal productivity of labor. Thus, if the wage be set above the level of marginal productivity, the employer will be motivated either to improve overall plant efficiency and, as a result, man-hour productivity, in order to justify the high wage; or the employer may choose to decrease his employment of labor units until wages and marginal productivity are in equilibrium. Of course, given the requisite flexibility of the money supply, still another alternative is open to employers faced with a general and excessive rise in wages, namely, the passing-on of the added costs to the consumers in the form of price increases, assuming that product demand is not so elastic as to prohibit such a move. What is still more likely is that employers will utilize a combination of these methods for bringing wages into line with marginal productivity.

On the other hand, if the wage in a given instance is set below the marginal productivity of labor, an eventual equilibrium may be attained

through actions on the part of labor and/or of the employer. Thus, labor might move from the plant to such an extent as to force the wage up,⁹ or it might utilize collective bargaining pressures as a leverage for raising the wage. In the event that labor is so immobile and so disorganized that neither of these moves take place, the wage may be equated with the marginal productivity of labor simply through the increase in the number of labor units employed by the firm. Because of degrees of indeterminacy, uncertainty, dynamic change, and other factors which may obscure the issue for employer and employees alike, sudden adjustments may not occur, even though the wage be set above or below marginal productivity. Given enough time, however, the proponents of the theory would expect the necessary adjustments to take place.

John Bates Clark also applied the marginal productivity theory to the economy in general, as well as to the firm and industry. In this connection, it was postulated that wages for the economy would be determined by the marginal productivity of labor at its least profitable level of employment. Clark, in applying the theory to the economy's long-run *real* wage level, reasoned from a hypothetical economy possessing the following characteristics: (1) pure competition in factor and commodity markets; (2) a fixed quantity of productive resources; (3) a fixed quantity of capital equipment, whose form was capable of being altered to cooperate most effectively with whatever amount of labor was made available; (4) interchangeability of workers possessing an equal degree of efficiency, i.e., an absence of occupational specialization. As a result of the assumptions noted, the end product would be a single wage rate rather than a variety of rates for varied occupations. Obviously, the purpose of the assumptions was to introduce a workable simplicity which greatly facilitated the theorist's analysis.

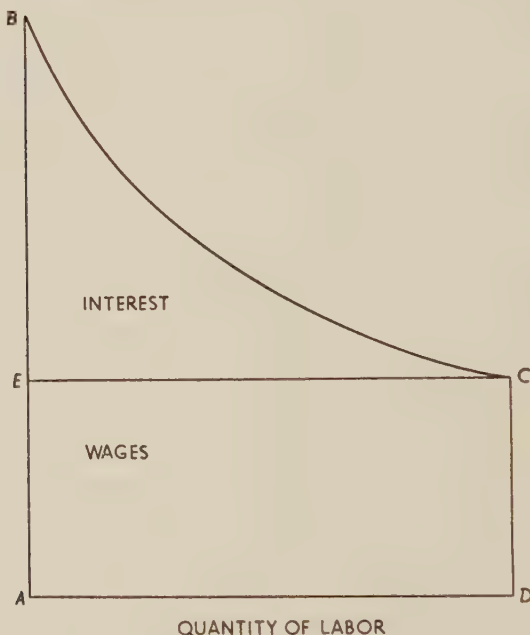
The determination of the real-wage level in Clark's economy is pictured in his graphic presentation, which is reproduced herein as Figure 3-3.¹⁰ *AD* represents the number of laborers available for employment in the labor market, with the last man employed having a marginal productivity and hence a wage equal to *DC*. To pay him more than this wage would be contrary to the postulates of the theory, while it was assumed that competition among employers would prevent the wage from falling below *DC*. Under the assumption of perfect interchangeability of workers noted by Clark, no worker could be paid more than the wage *DC*, since if any man were to drop out of employment, it is assumed that some man from the margin could be employed to replace him. If this were not the case, and if workers therefore received wages sufficient to

⁹ Assuming the wage is below wages elsewhere—even though the wage may be equal to marginal productivity of labor in the first instance.

¹⁰ John Bates Clark, *The Distribution of Wealth* (New York: Macmillan Co., 1899), chap. xxi.

cover the whole graph pictured by Clark, there would be no remuneration for other factors of production. Consequently, labor as a group will receive real wages represented by the area $ADCE$, i.e., the wage rate times the number of laborers employed. The area represented by the triangle ECB indicates the returns in the form of interest to other factors of production. It should be noted that in addition to the simplifying factor of a moneyless economy, further simplification is attained by Clark

Figure 3-3 Marginal productivity and the general wage level



in assuming that the economy never experiences cyclical fluctuations in aggregate demand, nor does it suffer from protracted periods of unemployment.

While it is obvious that the economy pictured by Clark is highly unrealistic, nevertheless the device has frequently been utilized by writers in discussing the conditions under which an increase in real wages may become possible. It may be seen from Clark's diagram that real wages could rise only if one of the following takes place: (1) if a decrease in the supply of labor should occur, with other factors remaining constant; (2) if the marginal productivity curve, BC , should rise for some reason such as technological developments while the quantity of labor remains constant; and (3) if an increase in the supply of labor be

more than offset by an increase in the level of productivity, a combination of developments which has frequently been observed in the United States. By the same token, of course, the opposites of the above three developments would produce declines in real wages.

It should be observed that when the theory is applied to the firm, it is really more of an *employment* theory than a wage theory. This is so because Clark assumed the wage would be given for the firm by forces of the market with the firm manipulating the variable of employment to equate marginal cost and marginal revenue of labor. However, when applied to the total national economy, the theory operates in the long run as a *wage* theory. This is so because for Clark's hypothetical economy, the supply of labor available is depicted as perfectly inelastic with the wage truly determined by the relationship between labor's marginal productivity and the fixed supply of labor. While the labor units employed by the firm in the short run are variable, the labor units available for employment in the total economy are assumed to be fixed or perfectly inelastic.

While it has often been argued that the economy depicted by Clark is so far removed from reality that none of his conclusions is valid, some writers have contended that in the long run, at least, there is much reason to believe that wage levels and the productivity of labor are related rather closely. Professor Reynolds, for example, has pointed out that it is almost common sense to anticipate that a growth in the labor force, other things remaining equal, would occasion a decline in the level of real wages, while an increase in the quantity of capital, other things being equal, could reasonably be expected to result in a rise in the level of real wages.¹¹

Many proponents of the marginal productivity theory of wages utilized it to attempt to account for the problem of unemployment when it appeared from time to time in the economy. In this connection, it was held that if unemployment existed, this was simply due to the fact that labor was pricing itself out of the market, so to speak, by driving wages above the level of labor's marginal productivity. The obvious solution so often suggested by these theorists was that of making certain that wages possessed a high degree of flexibility, so that the marginal cost and marginal product of labor could be quickly brought into equilibrium, since at this point the labor market would be "cleared," with all those wanting jobs being employed.

Much criticism has resulted from attempts to apply the theory to the overall employment problems of an economy, especially since the depression of the 1930's. The late English economist, John Maynard Keynes, was one of the leading critics in this sense, contending that the demand

¹¹ Lloyd Reynolds, *Labor Economics and Labor Relations* (2d ed.; New York: Prentice-Hall, Inc., 1954), p. 643.

for labor on the part of the total economy was *not* simply the summation of the demand lines for labor of the individual firms within the economy. Keynes, in defending this assertion, cited the observation that each firm, in envisioning its demand line for labor, does so while assuming that wages and prices elsewhere in the economy are going to remain constant. This, in turn, leads the firm to assume a constant marginal revenue product or demand line for labor; and from this, it appears that a wage increase must be followed by a decline in the firm's employment of labor, while a wage decrease will occasion an increase in the firm's employment of labor. But if, as Keynes maintained, wages and prices elsewhere do not remain constant, it follows that the firm's marginal revenue product line will not remain constant, in all likelihood. Hence, a general increase in wages may not necessitate a decline in employment, nor is it certain that a decrease in wages will assure an increase in employment levels. Keynes therefore took the position that microeconomic analysis is not in itself sufficient for the explanation of fluctuations in the economy's level of employment. This task required, in Keynes's opinion, analysis of the macroeconomic variety with its attention to the scrutiny of aggregates such as the level of consumption and/or investment spending. Keynes's employment theory will be dealt with in a later chapter.

Bargaining Theory of Wages

While writers as early as Adam Smith in the eighteenth century made reference to collective bargaining in the labor market, it was not given much weight as a factor in wage determination by theoreticians until the 1890's. During this decade the Webbs (Sidney and Beatrice) of England, along with John Bates Clark of the United States, related wage determination to collective bargaining and, in the process, were somewhat prophetic as to the organizational developments which were to take place within modern industrial labor markets. In more recent decades, A. C. Pigou and Maurice Dobb, English economists, have made further contributions to this particular approach to a better understanding of wage determination. Other writers who have contributed to the literature in this area since World War II would include Caddington, Dunlop, McKarsie, Pen, Ross, and Walton.

In the main, bargaining theory proponents have contended that short-run wages have always been determined, at least to a degree, by the process of bargaining or "higgling" as carried on between employer and employee in the labor market. In the early stages of industrialization the bargaining took the form of individual bargaining between the employer and the employee. With the development of the industrial society and the concomitant and divergent alterations in the relative bargaining power of the employing unit and the individual employee,

the bargaining process tended to become increasingly collectivized. Thus, Clark noted in the 1890's that only through organization and collective bargaining could the individual worker hope to resist the downward pressure upon wage rates exerted by the profit-maximizing employing units, aided and abetted by the relative immobility of labor. In developing the bargaining power theory, Clark insisted that: "A fair bargain demands either a desire for justice on the part of the participants or a strategic equality between them. . . . The distributive phenomena of the past have been distinctively those of unbalanced competition."¹²

Clark was careful to note that the coming of labor organization to the sellers' side of the labor market meant that monopoly elements were thereby introduced similar to the monopsony elements on the buyers' side of the labor market. "The equality [in bargaining power] has been secured, not by restoring competition on the side of capital, but by suppressing it on the side of labor. As the growth of a great corporation . . . suppresses competition among employers, the growth of a well-organized trade union suppresses it among workmen."¹³

Professor Clark was well aware that the process of eliminating competition from both sides of the labor market could conceivably progress until an intolerable situation might result, thereby necessitating frequent use of arbitration by the state. He estimated in the 1890's that events were moving toward this conclusion: "This wholesale suppression of competition will bring society to a point from which the only outcome consistent with peace will be arbitration under governmental authority."¹⁴

Despite his forebodings concerning the possibly inevitable result of the suppression of competition in the labor market, Clark clearly indicated his approval, in the main, of the trends which he witnessed: "Individual competition, the great regulator of the former era, has, in important fields, practically disappeared. It ought to disappear; it was, in its latter days, incapable of working justice. The alternative regulator is moral force, and this is already in action. . . . The system of individualistic competition was a tolerated and regulated reign of force; solidarity, even in its present crude state, presents the beginnings of a reign of law."¹⁵

Numerous writers have contended, with a great deal of justification, that the bargaining theory is not strictly a theory of wages, since it contains no long-run postulates, as does the marginal productivity theory. It has been maintained that the bargaining theory is in reality a pragmatic explanation of the mechanism within the modern labor mar-

¹² John Bates Clark, *The Philosophy of Wealth* (New York: Ginn & Co., 1894), p. 132-33.

¹³ *Ibid.*, p. 136.

¹⁴ *Ibid.*, p. 147.

¹⁵ *Ibid.*, p. 148.

kets through which short-run *money* wages for specific firms and/or industries are set for varying periods of time. The test of economic strength between the two parties in the labor market does not necessarily assure so-called "just" or "equitable" wages in terms of the contribution to production by labor. Thus, at a given period of time, with tight labor markets and booming economic conditions, the bargaining power of the union is greatly enhanced, while, by the same token, the resistance power of the employer is weakened. This combination of circumstances may tend to cause wages to rise more rapidly than labor's marginal

Table 3-1 Wages as percentage of value added by manufacturing

Year	Wages of Production Workers (millions)	Value Added by Manufacture (millions)	Wages as Percentage of Value Added
1899.....	\$ 1,893	\$ 4,647	40.7
1904.....	2,441	6,019	40.5
1909.....	3,205	8,160	39.2
1914.....	3,782	9,386	40.2
1919.....	9,664	23,842	40.5
1925.....	9,980	25,668	38.8
1929.....	10,885	30,591	35.5
1933.....	4,940	14,008	35.2
1937.....	10,113	25,174	40.1
1947.....	30,242	74,426	40.6
1958.....	49,575	141,500	35.0
1966.....	78,253	251,014	31.2

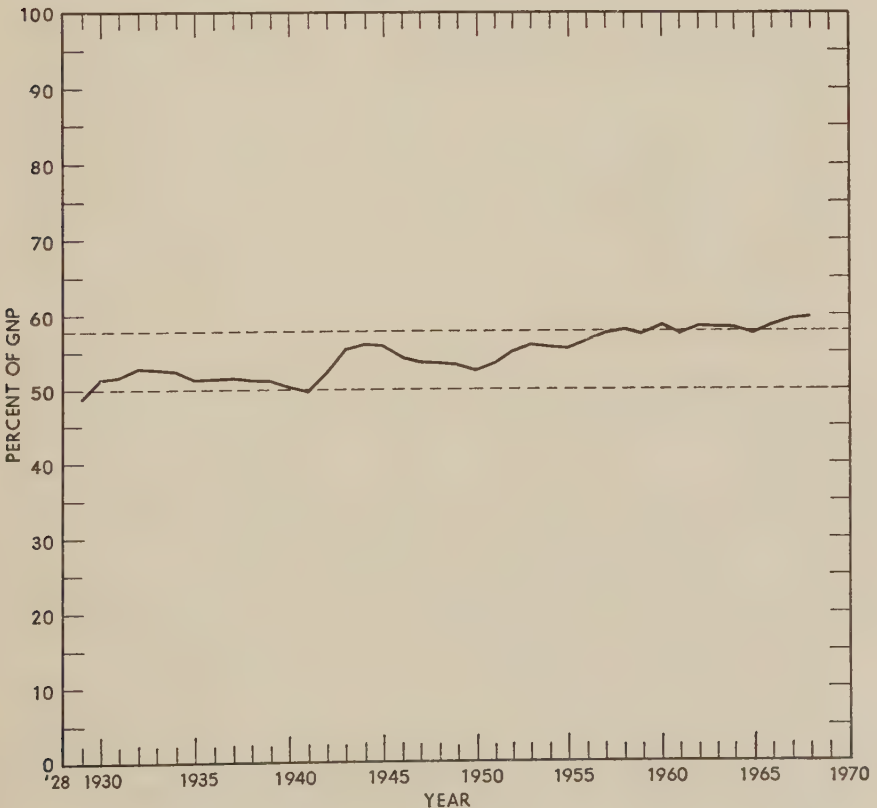
Source: U.S. Bureau of the Census, Statistical Abstract of the United States: 1968 (89th edition) Washington, D.C., 1968.

productivity. Given an expansionistic monetary policy, the end product may consist of inflationary rises in commodity prices. In the absence of an easy money policy, the situation would culminate in unemployment, protracted work stoppages due to strikes or lockouts, or a temporary rise in wages at the expense of other factor incomes. When the reverse of the above conditions becomes the rule, the bargaining power of the union is weakened, while that of the employer is strengthened, with resulting tendencies for wages to be set below labor's marginal productivity.

Although it may appear at first glance that the marginal productivity and the bargaining theories of wages are mutually exclusive, this is not necessarily true. While the so-called "bargaining theory" is perhaps the best explanation to date of the short-run *money*-wage-setting mechanism in the industrial economy, it is also probable that the marginal productivity theory is the most valid explanation thus far of the basic factors determining long-run *real*-wage levels and tendencies. In synchronizing

the two theories, it may be noted that if wages, via collective bargaining, are set in the short run above marginal productivity of labor, this merely sets in motion eventually actions on the part of the employer to restore the equilibrium between wages and marginal productivity, even though the action may not be immediate or precise, owing to uncertainties and lack of knowledge on the part of the employer. By the same token, it follows that if in a given short-run situation, wages are set below marginal productivity of labor, this may tend to set in motion actions on the part of labor, the employer, or both which will result in the eventual moving-together of wages and marginal productivity of the labor in question. Thus, in this interpretation and attempted synchronization of the two most commonly accepted theories, labor unions and employer groups are viewed as media within the labor market through which

Figure 3-4 Compensation of employees as percentage of gross national product*



* Includes employer contributions to social insurance.

Source: Joint Economic Committee, *Historical Supplement to Economic Indicators* (Washington, D.C.: U.S. Government Printing Office, 1957) and *Economic Indicators*, July, 1965 and February, 1969.

economic forces operate, with the probability that in the long run the relationship between wages and productivity is quite close.

One indicator of the relatively close relationship between wages and productivity which is frequently cited is the ratio of manufacturing wages to value added by manufacturing. As noted in Table 3-1, this ratio has ranged within very narrow limits for the most part. This is especially true if the depression years of 1929, 1933, 1958, and 1966 are omitted. Of interest is the fact that despite the significant organizational developments on both sides of the labor market during the past three decades, the ratio of wages to value added in 1947 was only slightly different from what it was in 1899.

The relationship between wages and productivity on a national basis may conceivably be indicated by the ratio which has existed between wages and salaries—or more technically, the compensation of employees—and the gross national product. Thus, in Figure 3-4 is shown the fact that in most years between 1929 and 1968, the ratio of wages to GNP has varied within the narrow limits of 50 and 58 percent. It is also obvious, however, that the average ratio from 1941 to 1968 is somewhat above that for the depression decade preceding World War II. This may be evidence of a tendency for compensation of employees to rise relatively during periods of full employment and to decline relatively during periods of deflation and rising unemployment. This may be illustrated by noting that even in the post-World War II period, the line on the graph dips during recessions and lifts during more prosperous years.

Present Status of Wage Theory

It is thus apparent that since the theorizing of the French physiocrats with respect to wages more than two centuries ago, four major wage theories have emerged. Of these, the subsistence theory has long since been laid to rest, as has also the original conception of the wages fund theory. Remaining on the scene are the marginal productivity and the bargaining theories. The former is relied upon to explain basic underlying forces in the long-run determination of wage levels, with the bargaining theory generally cited as the explanation of the mechanical aspects of short-run wage setting in labor markets of the industrial economy.

But what is the current appraisal of the theoretical formulations seeking to explain the wage phenomenon? Is there universal agreement that all or most questions have either been answered or can be answered within the framework of the wage theory thus far devised? With these questions in mind, some space will be devoted here to some of the leading criticisms and/or rationalizations of existing wage theory.

To the extent that large numbers of employing units do not seek to maximize profits—and many critics hold this to be the case—conclusions

of the marginal productivity theory would be subject to some skepticism. Professor Keynes made reference to this possible weakness in long-run wage theory in 1931 when he observed:

One of the most interesting and unnoticed developments of recent decades has been the tendency of big enterprise to socialize itself. A point arrives in the growth of a big institution—particularly a big railroad or public utility enterprise, but also a big bank or big insurance company—at which the owners of the capital, i.e., the stockholders, are almost entirely dissociated from the management, with the result that the direct personal interest of the latter in the making of great profit becomes quite secondary. When this stage is reached, the general stability and reputation of the institution are more considered by management than the maximum profit for the stockholders.¹⁶

If Keynes's observation be correct, then—to the extent that labor is employed in an economy by the corporate employing unit which places less emphasis upon profit maximization than was once assumed relative to the individual employer—the marginal productivity theory's key assumption is in jeopardy, with resulting effects upon the validity of general conclusions flowing from the theory. Professor Boulding, writing in 1958, reasoned much as did Keynes: "This is to say that the theory of profit maximization is only applicable to the case in which all markets are perfect, where there is no difficulty in transforming any asset into any other, and where the *form* of the asset structure is unimportant. Also it is applicable only where there is no uncertainty so that we never have to balance lucrativity against security."¹⁷ Professor John Galbraith reasoned similarly in 1967 when he noted that "security and growth of the super-corporations" have replaced the earlier motivational entities known as "consumer wants" and "entrepreneurial profits."¹⁸

Thus, Boulding and others who have written in this vein would indicate that the large employing unit, especially, may be much more interested in security than in lucrativity and hence may settle for "satisfactory" as opposed to maximum profits.

Proponents of the marginal productivity theory, however, are quick to point out that while it is true that the entrepreneur may be motivated by other than purely economic considerations, it is nevertheless probable that the majority of the group is striving for profit maximization enough of the time so that the profit norm is still the most satisfactory one in terms of which to explain entrepreneurial behavior.

Barbara Wootton, modern English economist, has alluded to numer-

¹⁶ John Maynard Keynes, "The End of Laissez-Faire," republished in *Essays in Persuasion* (New York: Harcourt, Brace & Co., Inc., 1932), pp. 314–15.

¹⁷ Kenneth Boulding, *The Skills of the Economist* (Cleveland: Howard Allen, Inc., 1958), p. 59.

¹⁸ John Kenneth Galbraith, *The New Industrial State* (Boston: Houghton-Mifflin Company, 1967).

ous alleged shortcomings of the marginal analysis of wages.¹⁹ Thus, she has noted that wage theory on both sides of the Atlantic as found in economics textbooks is still being treated as a "special case of the general theory of value." Miss Wootton is of the opinion that the theory has suffered, consequently, from the resulting inability to move from theoretical abstraction to concrete reality. It is also alleged that wage theory is too prone to emphasize individualism and to neglect, at least initially, the role played by collective bargaining in wage determination. Miss Wootton quotes Professor J. W. F. Rowe as suggesting that unions do succeed in forcing wages above the equilibrium level of marginal cost and marginal revenue due to the fact that such organizations are, through their demands, highly effective mechanisms for "goading employers into using more efficient methods." Mr. Rowe is also quoted by Miss Wootton as indicating that in this manner, unemployment which under static conditions of production would result from an increase in wages can be avoided. Professor Rowe admits, however, that while some empirical evidence may be found substantiating this position, it should probably be treated only as a "likely hypothesis" until more conclusive proof is available.

Miss Wootton notes that the fundamental difference between critical writers like Mr. Rowe and other writers like Professor Hicks, a staunch defender of marginal analysis, is not one of basic conflict but is rather of the static versus the dynamic variety of conflict, since Mr. Rowe concludes that unions do not typically act so as to *equate* wages with marginal productivity of labor but rather to *increase* the marginal productivity of labor by reinforcing competition in the labor market as a spur to progress.

Miss Wootton observes that the marginal analysis of wages, per se, appears to be inadequate as an explanation of a number of features found in English wage and salary structure.²⁰ In this connection, she makes reference to the inequalities existing between wages and salaries for similar or identical types of work—inequalities which are incapable of being explained solely on the basis of inherited aptitudes or the cost of training. Additionally, Miss Wootton contends, it is virtually impossible to ascertain any sign of an inverse relationship between monetary and nonmonetary attractions of different jobs, since the more agreeable jobs appear to "win on every count." Geographic wage differentials are also not found to conform to any constant pattern, while it is extremely difficult to accept an economic explanation of wage differentials between the sexes, since the differentials may be rigidly observed in some industries and not in others. Superior rewards conferred by seniority and

¹⁹ Barbara Wootton, *The Social Foundation of Wage Policy* (New York: W. W. Norton & Co., Inc., 1955), chap. i.

²⁰ *Ibid.*, pp. 66–67.

authority are also hard to reconcile with the marginal productivity postulates. Miss Wootton concludes by noting that there seems to be only one fairly consistent feature in the English wage and salary structure: Those who give orders expect and usually receive more pay than those to whom orders are given.

As Miss Wootton is careful to note, the above criticisms do not mean that the marginal productivity theory of wages is invalid within its own carefully defined assumptions. As a matter of fact, many theories are so constructed that it is impossible to prove them wrong or internally inconsistent. If, as Professor Rowe contends, economic theory fails to satisfy a sense of reality or to "stand the test of historical experience," the lesson probably is that other than purely economic factors must be involved in the wage phenomenon and that these additional factors should be given careful attention in future theorizing relative to wages. Professor Boulding takes a position similar to that of Professor Rowe when he notes: "Economics is neither the queen of the sciences nor the source of all wisdom, but it is a good place to start (though by no means the only one) in an attempt to develop general theories. And there is reason to urge emphatically that all sciences can learn something from other sciences."²¹

Professor Cairncross adds some critical observations to those of Wootton and Rowe above.²² Thus, he asserts that contrary to the implications of the marginal productivity theory, employers do not necessarily use their full strength to depress wages to the lowest possible level, even on the grounds of self-interest. Low-paid labor, he notes, has often proved to be the most expensive labor. On the other hand, Mr. Cairncross points out that the self-interest of the employers is scarcely the best guarantee of high wages. Consequently, he observes, workers turn to their own organizations both to achieve economic gains and to improve their status. Mr. Cairncross speaks of the unions' pursuit of these objectives largely in terms of the economic theory of monopolistic behavior. In this connection, he is of the opinion that the fear of creating general unemployment will not deter unions from pressing for higher wages. However, he is convinced that a union in any given industry will of necessity be limited in its activities by (1) the elasticity of substitution, (2) the elasticity of supply of alternative factors of production, and (3) the elasticity of demand.

Professor Reynolds of Yale University has also been quite critical of wage theory as it exists today.²³ It is his judgment that there is needed a

²¹ Boulding, *op. cit.*

²² A. Cairncross, *Introduction to Economics* (London: Butterworth, 1944), pp. 236, 245–50.

²³ Lloyd Reynolds, "State of Wage Theory," *Proceedings of Sixth Annual Meeting of Industrial Relations Research Association*, 1953, Publication No. 12 (Madison, Wis., 1954).

deliberate effort to narrow the gap between labor economists on the one hand and general economists on the other. Thus, Professor Reynolds contends that general economists need to concern themselves more with the statistical and institutional information about wages, while labor economists should accept the necessity for theoretical formulations. In addition, he notes that the objective should not be the development of a single wage theory. Rather, there will be a number of accepted theories, with each having a wage aspect or component, and he includes the following theories: theory of collective bargaining relationships, theory of the firm, theory of the distribution of real income, and theory of aggregate employment. Professor Reynolds is convinced that too much time has been spent to date on the wage level of the firm, with too little attention being given to the distribution of the real national product as between capital and labor. Much more should be learned, in his estimation, with respect to the behavior of money-wage levels and alleged wage/price inflation as well as the structuring of wages within the economy. Mr. Reynolds notes, finally, that a restatement is in order of the relative roles and significance of competitive forces within the labor market, union structure and objectives, company policies, and governmental regulations and other institutional pressures.

Some writers have criticized the marginalists' approach to wages on the grounds that entrepreneurs in actuality do not reason in terms of marginal cost and marginal revenue, indicating that these terms are confined to the classroom along with other terms utilized by the theoretician. Proponents of marginal analysis, on the other hand, point out that while entrepreneurs may not use the precise terminology of the economist, nevertheless they are vitally interested in survival; and to survive in industry, it is necessary for profits to be realized. It is further asserted that in order to realize profits for the concern, the entrepreneur must constantly be weighing anticipated revenue of additional units of each factor against additional costs thereof. Thus, it is alleged that whether the entrepreneur actually speaks the language of the economist is immaterial—he is still going through much the same process as outlined by the economic theorist. For example, it is considered highly unlikely that an entrepreneur would plunge into the employment of additional units of any factor of production without attempting to ascertain in advance whether such a move would be profitable or unprofitable for the firm.

Still other writers have criticized the marginal productivity theory from the standpoint of the uncertainties, imperfections of knowledge, and hence indeterminacy which plague the entrepreneur. Since he cannot *know* all the essential ingredients which will lead him to the most profitable use of each resource, the theory is allegedly meaningless as an explanation of factor income. Proponents of the theory grant that all the uncertainties and imperfections noted by the critics do, in fact, exist.

This merely serves, however, to cloud the issue and thus to slow down the anticipated adjustments. The fact that an adjustment in employment and/or wages is not forthcoming immediately following changes in wages and/or employment should not be taken to mean that an eventual adjustment will not be made.

Despite the criticisms of the marginal productivity theory as noted above and others which might be referred to, the theory remains the most widely accepted explanation of long-run tendencies of wages to date. The fact that wages are markedly higher in nations with high levels of productivity and the fact that wages *have risen* with the growth of individual nations' productivity are often cited to buttress at least the long-run relationship between wages and productivity.

Likewise, despite the criticisms of the bargaining theory because of its short-run pragmatic approach, it is still the most widely accepted explanation of the mechanism used in the actual setting of short-run specific wage rates. Professor Dobb, English economist, has tried to indicate where all the sundry comments and criticisms relative to wage theory leave the economists in regard to their attempts to explain wages in a scientific manner.²⁴ As he views the situation, there are definite limits within which wages must lie. The lower limit is pictured as that of "bare physical subsistence," since Professor Dobb does not see how wages could long remain below this limit. The upper limit, while more elusive, is seen as being influenced by the fact that the total wage bill cannot absorb more than the total product which is actually spent by the property owners in any given period, since if wages go above this limit, they would eat into the supply of capital. While Dobb sees this upper limit as fixed in strictly economic terms, he notes that the practical limit is probably lower and more a matter of politics and social psychology than a matter of economic theory. Reasoning from Dobb's views on wage limits, it might be contended that the area existing between the upper and lower limits is in actuality the bargaining area with a given specific wage or combination of wages being set closer to the upper or lower limit at a given time, as the bargaining power of one or the other of the two parties may determine.

Professor Boulding, Barbara Wootton, and others are convinced that a new wage theory must eventually evolve which will recognize other than the purely economic aspects of wage determination. Professor Dobb has even noted that many decades ago Professor Alfred Marshall, one of the original proponents of the marginal productivity theory, was careful to point out that this only constituted *one* approach to wages.²⁵

²⁴ Maurice Dobb, *Wages* (rev. ed.; London: Cambridge University Press, 1946), pp. 147-51.

²⁵ *Ibid.*, p. 84.

It may very well be that social scientists are now in the process of groping their way to a new and more inclusively realistic theory of wages. As has been observed by Professor Boulding, it seems to take a theory to kill a theory, if the history of wage theory is any guide. Consequently, until a better one comes along, the marginal productivity theory will undoubtedly continue to be cited as the most erudite explanation of the wage phenomenon. Professor Tolles concludes his discussion of wage theory on an optimistic note when he observes²⁶

But the logic of wage determinants and of wage relationships is continually developing in the United States. They develop in response to conflicting doctrines; and the conflicting doctrines reflect the ever-changing factual circumstances of the American economy and the contrast in the ideals of different groups of the American people. As a result, a richer and more realistic theory of wages is in the process of emerging.

Despite the disagreements which are rife within the ranks of economic theoreticians, there is quite general agreement, it has been noted, on at least four basic principles.²⁷ Thus, theorists appear to be fundamentally in agreement that (1) wages represent the share of labor in the national product; (2) wages are paid out of current production rather than out of some special fixed fund; (3) wages, as prices, are influenced by the same forces which influence other prices, namely, demand, supply, degree of competition and/or monopoly in the labor market, and the like; and (4) the labor union is the mainspring which moves the mechanism of supply and demand, at least in organized firms, in the determination of wages. It should be noted, however, that some theorists, rather than referring to the labor union as the mainspring, would prefer to think of it as a "gear" which transmits the forces of demand and supply in wage determination. As such, the labor union would in reality be only one of several gears.

SUMMARY

Wages constitute a major economic problem area in the industrial economy because most of its people are wage or salary recipients; there are conflicts of both interests and ideas associated with wages; and much confusion is generated relative to wages due to complex methods of indirect production and divergent approaches to the problem of wages, e.g., the short-run approach versus the long-run approach and the microeconomic approach versus the macroeconomic approach. Ever since industrialization began to unfold, economic theorists have wrestled with

²⁶ N. Arnold Tolles, *Origins of Modern Wage Theories* (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1964), p. 197.

²⁷ W. S. Woytinsky and Associates, *Employment and Wages in the United States* (New York: Twentieth Century Fund, 1953), chap. i.

the question of the basic determinants of wage levels and wage differentials. The result has been a procession of wage theories with milestones including the subsistence theory, the wages fund theory, the marginal productivity theory, and the bargaining theory.

Despite the almost two centuries of wage theorizing, modern wage theory still leaves much to be desired—especially with relation to short-run wage differentials and levels. Thus, theorists are still at work trying to develop the perfect wage theory. Interdisciplinary approaches to the problem appear to offer the most hope for the future. In the meantime, the marginal productivity theory continues to be recognized as the most valid long-run explanation of the wage phenomenon; the bargaining theory offers most as a pragmatic explanation of the short-run money-wage-setting mechanism in the mature economy.

DISCUSSION QUESTIONS

1. What relationships do you see between the monetary policies of a nation and the entrepreneurial anticipations relative to marginal revenue product of labor? How would a change in the nation's monetary policy—say, from tight money to easy money—be reflected in labor relations?
2. Attempt to demonstrate the fact that an imperfectly competitive labor market makes more difficult the wage problem of a nation.
3. Theorists of the eighteenth century often held that wages *should* hover near the level of labor's subsistence because only under such conditions would labor be willing to work. Comment on this position.
4. Do wage rates, as you have observed them in actuality, tend to prove or disprove the validity of Adam Smith's explanation of wage differentials?
5. Assuming the validity of the original wages fund theory for the sake of argument, show how unionization could only benefit the few organized workers at the expense of the many unorganized workers. Make a similar demonstration with respect to a minimum-wage law enacted by government. What, if any, weaknesses or loopholes might be found in this argument?
6. Comment upon the unrealistic nature of Marshall's assumptions with respect to the marginal productivity theory of wages in so far as the actual short-run labor market is concerned.
7. It has been alleged that the marginal productivity theory of wages is really an *employment* theory in the short run and a *wage* theory only in the long run. Discuss this assertion.
8. Under what conditions where labor exploitation exists (i.e., the wage is below labor's marginal revenue product) might labor still refuse to organize in order to remove the exploitation which is impinging upon its interests?
9. Discuss the possible favorable or unfavorable consequences which might develop with respect to wages where their short-run determination depends upon a test of economic strength between the two bargaining parties.

Which consequences—favorable or unfavorable—do you think are most numerous?

SELECTED READINGS

- ABBOTT, LEONARD DALTON (ed.). *Masterworks of Economics*, especially sections on Smith, Malthus, Ricardo, and Mill. Garden City, N.Y.: Doubleday & Co., Inc., 1948.
- AMERICAN ASSEMBLY. *Wages, Prices, Profits and Productivity*. New York: Columbia University, 1959.
- BACKMAN, JULES. *Wage Determination*. Princeton: D. Van Nostrand Co., Inc., 1959.
- CARTTER, ALLAN M. *Theory of Wages and Employment*. Homewood, Ill.: Richard D. Irwin, Inc., 1959.
- HICKS, J. R. *The Theory of Wages*. 2d ed. New York: St. Martin's Press, 1963.
- TAUSSIG, F. W. *Wages and Capital*. New York: D. Appleton & Co., 1898.
- TAYLOR, GEORGE W., and PIERSON, FRANK C. *New Concepts in Wage Determination*. New York: McGraw-Hill Book Co., Inc., 1957.
- TOLLES, N. ARNOLD. *Origins of Modern Wage Theories*. Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1964.
- TURNER, MARJORIE S. "Wages in the Cambridge Theory of Distribution," *Industrial and Labor Relations Review* (April, 1966), pp. 390-401.

SHORT-RUN WAGE DETERMINATION

While the preceding chapter directed attention toward dominant wage theories, the present chapter will be concerned with the mechanism of wage determination in the short run. Since wage rates tend to be increasingly determined or influenced in the short run by collective bargaining in a mature industrial economy such as the United States, attention will first be centered upon the setting of wage rates in the organized labor markets. This will be followed by some observations of the manner in which wage rates are arrived at in the unorganized labor markets. Consideration will likewise be given to devices which are utilized in the determination of *relative* wage rates within the wage structure of the firm. Finally, some space will be devoted to the influence which government wields upon the wage-setting process.

Before proceeding further, it should be noted that the primary concern of this chapter is with the determination of *money* wages in the short run as opposed to *real* wages. The latter—for any particular group—are a function of the combined movements of money wages and the cost of living. Thus, it should be obvious that real wages could rise, fall, or remain constant as the money wages of a given group move upward or downward. Likewise, the degree of movement in real wages need not correspond to the degree of movement in money wages for a given group. While these behavior patterns of money and real wages are of interest, they will be ignored here as consideration is directed solely toward the money-wage-setting mechanisms of the mature industrial economy.

WAGE DETERMINATION IN ORGANIZED MARKETS

The Bureau of Labor Statistics has estimated that about 116,000 collectively negotiated labor/management contracts exist in the United

States.¹ These contracts contain, among numerous other items, provisions for the wage rates of almost 19 million union members as well as for a large number of nonunion workers who are employed in organized plants. While the numbers here noted are impressive in themselves, they take on even greater significance when it is recalled that the labor contracts referred to set the wage rates for the vast majority of workers in such basic industries of the nation as transportation, mining, construction, and manufacturing. Thus, it is imperative for the student who would aspire to a complete understanding of short-run wage determination to know something of the operations of collective bargaining as it functions to set directly the wage rates of millions of workers and to influence indirectly, in all probability, the wage rates of most other wage earners in the economy—especially during periods of full employment and tight labor markets.

Pigou's Range Theory

During the 1920's and early 1930's, the late Professor A. C. Pigou, English economist, wrote extensively concerning the process of short-run wage determination through collective negotiation.² He observed that when wage rates are set by collective bargaining as opposed to free competition, the rate of wage is no longer determinate at a single point. Instead, a "range of indeterminateness" becomes the predominant characteristic, with the union typically striving for a wage rate which would lie at some point *above* the competitive rate and the employer urging a wage rate located some distance *below* the competitive rate.

Professor Pigou pictured union and employer bargaining representatives coming to the bargaining conference with upper and lower bargaining limits. The overall upper limit was viewed as the wage rate beyond which the union estimates employment of its members would be adversely affected, while the lower overall limit was envisioned as the wage rate below which the employer estimates it would be impossible for him to secure or maintain the requisite quantity of labor for his production needs. Pigou's range of indeterminateness consisted of all wage rates lying between the overall upper and lower bargaining limits just noted, and he further considered it to be impossible for the two parties to reach a wage settlement outside this range. The extent of the range was seen as varying inversely with the elasticity of the demand for labor by the

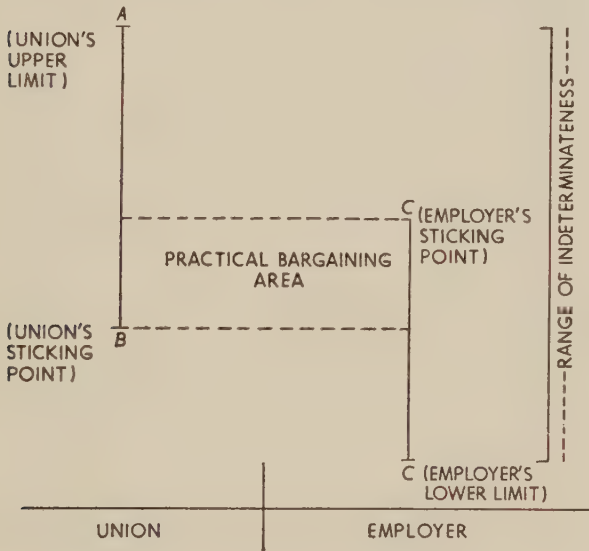
¹ Bureau of Labor Statistics, U.S. Department of Labor, *Directory of National and International Labor Unions in the United States*, Bulletin, No. 1596 (Washington, D.C.: U.S. Government Printing Office, 1967, p. 46).

² A. C. Pigou, *The Economics of Welfare* (2d ed.; London: Macmillan & Co., Ltd., 1924), chap. vi; (4th ed., 1933), pp. 450–61.

employer as well as the demand for jobs with the given employer on the part of the employees in question.

In addition to the overall bargaining limits just described, each party was considered by Professor Pigou as having still another limit in mind. Thus, the union representatives will see as their lower limit a minimum wage rate which it would be preferable for them to accept rather than to incur the expense and hardship of a strike. This point is referred to by

Figure 4-1 Illustration of Pigou's range theory where result is agreement

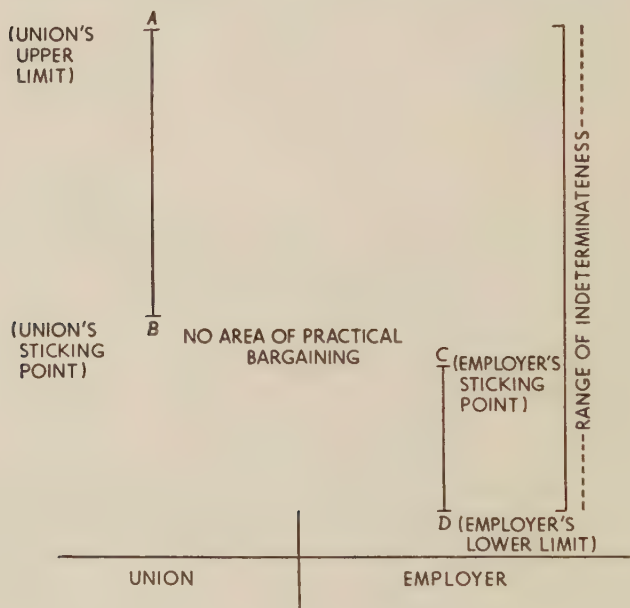


Pigou as the union's "sticking point." By the same token, the employer is described as having as a sticking point some maximum wage rate which is considered preferable to the costs engendered by a strike or lockout. The levels of the respective sticking points of the union and the employer would depend in large measure on their respective estimates as to the possible costs associated with a strike or lockout as compared with possible benefits to be realized therefrom.

Whenever the union's sticking point lies below that of the employer, as illustrated in Figure 4-1, the range of possible wage rates between the two points constitutes a *range of practical bargaining*. Under such conditions, a wage agreement will result without a strike or lockout, assuming that the two parties discover the existence of such a practical bargaining range during their negotiations. Whether the wage which is set will lie

closer to the sticking point of the union or that of the employer would depend largely on the relative bargaining *skills* and the bargaining *strengths* of the two parties. It should be noted, however, that even though a range of practical bargaining may exist, a strike or lockout may nevertheless ensue as either party tries to bluff the other into accepting a given wage rate within the range and then must either strike or conduct a lockout to follow up the bluff.

Figure 4-2 Illustration of Pigou's range theory where no agreement results



Contrary to the situation just discussed, if the union's sticking point lies above that of the employer, as shown in Figure 4-2, no range of practical bargaining exists for the two parties. When the negotiators finally become convinced that such is the case, a strike or lockout or both become inevitable, barring the alteration of the original sticking points by either or both parties. During the course of the strike or lockout, either or both parties may eventually be induced to alter their respective sticking points to the extent that a wage bargain is finally established. In such a situation the bargaining strengths of the two parties as demonstrated during the work stoppage will be major factors in the final locus of the wage rate. Thus, if the union's ranks remain solid and unbreakable during the strike or lockout, the eventual settlement may be closer to the sticking point of the union than to that of management. If, on the other

hand, strikers should desert the cause in large numbers to return to work while the employer remains strongly secure in his position, the resulting wage agreement is apt to be closer to the employer's sticking point than to that of the union. A veritable "draw" between the two parties during the period of the work stoppage may well result in a compromise wage settlement near the midway point between the two sticking points.

Numerous factors undoubtedly play a role in the determination of the height of the parties' respective sticking points. Thus, any factor which affects the bargaining strength of either party appreciably will probably have a bearing on the position of that party's sticking point. For example, booming economic conditions with tight labor markets tend to contribute to the bargaining strength of the union and hence to raise its sticking point. As a matter of fact, the growing strength of the union, Pigou notes, usually tends to raise the sticking point of the employer as well, since the anticipated cost of a strike to the employer is increased as the union's chances of winning such a contest are improved by its increasing strength. On the other hand, slackening economic activity, accompanied by growing unemployment, tends to improve the bargaining strength of the employer and to lower his sticking point. But under such conditions, the sticking point of the union is also lowered, in all probability, since its chances of winning a strike are diminished and hence the anticipated cost of the strike to the union is elevated.

Pigou further notes that if *both* parties gain in bargaining strength and, as a result, the anticipated cost of a work stoppage rises for both while the relative chances of either side winning in such a showdown remain the same, the tendency will be for the sticking point of the union to move downward while that of the employer moves upward. Thus, the range of practical bargaining will be extended in both directions—if such a range exists—or it may develop that such a range will be brought into being if none currently exists.

One of the major problems which arise in the whole procedure of collective negotiation, of course, is that neither side can be certain of the exact location of the other party's sticking point. Hence, a great deal of uncertainty exists until, by virtue of the verbal probing that goes on through tortuous hours of negotiation, either a range of practical bargaining is discovered and a wage agreement is signed, or no such range is found and a work stoppage ensues. By the same token, if an arbitrator or a board of arbitration is called into the dispute, a like amount of uncertainty confronts the neutral party or parties, since neither side confides to the third party the location of its sticking point. It then becomes the principal task of the third party or parties to try to "hit" the range of practical bargaining if such a range actually exists. It should be obvious that the wider the range of practical bargaining, the greater the chances of the union and employer or some third party to locate it.

Professor Pigou is perfectly aware that sheer tests of economic strength or bargaining skill may not insure "fair" or "equitable" wage rates in the sense of accepted wage theory, any more than a duel with swords or pistols could be depended upon to assure a "just" settlement of a personal dispute. Professor Pigou terms wages "fair" if they conform to the marginal productivity of a given type of labor generally or to the marginal productivity of a given group of workers, whichever is higher. Wages above or below this level are termed "unfair" either to the employer or to the workers, as the case may be. In this connection, Pigou argues strenuously for the need to raise two types of unfair wages. One of these is a wage which is below the marginal productivity of the workers in question. The second type is a wage which may be equal to the marginal productivity of the workers in question but which is below the level of marginal productivity of such workers generally. Thus, he is, in effect, occupying the position of accepting the "high profit" argument as a basis for wage increases while rejecting the "low profit" argument as a defense for substandard wages. It is obvious, too, that the "unfair" wages which he refers to could not exist under conditions of perfect competition. Wages which might be termed unfair to the employer, since they are above marginal productivity of the work group involved, are of less concern to Pigou, since the employer is assumed to be in a more strategic position than the worker to engineer adjustments in the level of employment, plant efficiency, product price, or all three in order to justify the wage rate which has been set through collective bargaining.

Determinants of Bargaining Limits

Assuming that the foregoing analysis presents a reasonably accurate picture of the short-run wage-setting mechanism in the organized labor market, there still remains the knotty question of the determination of the bargaining limits of the two negotiating parties. Thus far, these have merely been referred to in the general terms of "relative bargaining strength and skill," but further exploration is here desirable in order to determine the underlying motives which impel the bargaining parties to approach negotiation with a given set of limits and sticking points. In this connection, a great amount has been written in recent years, with special emphasis upon the motivation of union leadership in the bargaining process, since it has been the union as an institution which has come so much into the forefront in the United States since the 1930's.

Students of union leadership motivation have generally agreed that both economic and noneconomic motivations operate to shape the bargaining limits of the union. Some writers like Professor Ross have asserted that the *noneconomic* motivations—especially the political—exert more actual influence than do the purely economic drives which have

figured so importantly in economic literature from the days of the classical economists. Other writers like Professor Dunlop have accorded a great deal of influence to *economic* considerations by the union leadership in the bargaining process. As will be evident in the discussion which follows, no one has been able satisfactorily and conclusively to demonstrate which category of motivations is of greater importance to union leadership under varying conditions or even on balance.

The factors which affect the decisions of union leadership are probably similar to those which affect managerial decisions, in that they are primarily practical in nature as opposed to theoretical. Some of the factors which union leaders undoubtedly take into account in their decision-making process are economic conditions of the industry; general economic conditions of the total economy; possible competition from nonunion firms; current failures or successes of other unions in their negotiations; the wishes of the membership, in so far as they can be ascertained; and possibly, public opinion on occasion. It should be apparent that these factors are a mixture of economic and noneconomic elements. It is highly possible that the political consideration which impels a given union leadership to try to secure as much as or more than other unions may actually be more important in the determination of the upper limit of the union's demands than some hypothetical maximum which the union might possibly be able to attain. It may be noted parenthetically here that probably the closer bargaining in a given situation approaches industry-wide bargaining, the less apt the union will be to maximize its wage demands at the level of the individual firm. This will be true since in bargaining over an industry-wide base, *average* wage-paying ability of the firms in the industry will tend to govern the union's demands rather than the wage-paying ability of individual firms within the industry.

Professor Ross has referred to the fact that widely conflicting ideas are held with respect to the union as an institution and that this leads to conflicting ideas as to the factors which motivate union leadership in the bargaining function.³ In this connection, three principal conceptions of the trade union are outlined:

1. Sympathetic writers view the union as a "primitive, undifferentiated protest group governed by town-meeting democracy," with the organization thus being synonymous with its *membership*.
2. Union critics are pictured as holding the union to be "a dictatorship governed by an official bureaucracy," with the organization thus thought of as being synonymous with its *leadership*.
3. Theoretical economists are held by Ross to regard the union as a

³ Arthur M. Ross, *Trade Union Wage Policy* (Berkeley: University of California Press, 1948), p. 21.

“monopolistic seller of labor governed by a maximization principle and in this light the union becomes “analogous to a business firm marketing a commodity.”

In analyzing these divergent conceptions of the labor union, Ross concludes that unions are not so apt to be identifiable with the membership as they become older, established, and more responsible. In other words, the union is seen as having its own institutional needs and problems which are held by the leadership to be over and above the needs and problems of the membership. As a result, while a large proportion of the typical union/management contract's provisions are worker-oriented, other provisions tend to be included which are union-oriented and deal with such matters as union security, the checkoff of dues, the role of the union steward, and other items which seem to be desirable to the union as an institution.

It should be noted at this point, however, that there is a very close relationship between the two basic interest areas of the union just discussed. Certainly, very little service in behalf of the membership could be furnished by a union operating under extremely insecure conditions institutionally. Also, of course, it would be disastrous in the long run for a given union leadership totally to neglect the economic interests of the membership. It may further be noted that corporate leadership (management) also exercises institutional considerations over and above the purely economic interests of the corporation's owners. Thus, Ross points out that the motivating impulses of the business firm compare closely with those of the union in that (1) both institutions possess a formal purpose or rationale which involves the benefits accruing to the members or stockholders; (2) both institutions attempt to further the objective of growth and survival of the organization; and (3) both institutions serve, in part, the personal ambitions of the respective leaders. Ross notes that the first or formal objective must be attended to by each institution in the long run but that, in the short run, if a conflict should emerge between the formal and institutional purposes of the organization, the formal purpose will tend to give way to the institutional objective of survival and growth in so far as either corporate management or union leadership is concerned. In most instances the leader of a union or the management official of a corporation will usually advance himself by identification with the organization; but if the leader in question does not so identify himself, his personal ambitions, as noted in objective 3 above, take precedence over the other two objectives in determining his actions.

Professor Ross is of the opinion that the union leader may have somewhat more latitude than the management official of a corporation,

owing to the fact that "wages, hours, and working conditions" are vaguer than profits (dividends). Thus, as long as the union leader can convince the membership that the formal purpose or goals are being served by the gains scored in numerous and confusing bargainable items, there is no one with the moral authority to contradict him. On the other hand, corporate management would find it quite difficult to convince the stockholders that a \$2.00 dividend was really the equivalent of a \$3.00 dividend. This tends to lead to the conclusion that the formal purpose or goal of the trade union is less capable of precise measurement than that of the corporation.

Except in situations where an industry has been completely organized by a union, the *employment* effect of a given wage increase on the union's bargaining strategy and limits may not be so powerful as the *membership* effect. In fact, on occasion the two effects may move in opposite directions, so that a given wage increase may actually bring in more members for the union while at the same time causing a slight drop in total employment within the industry. Purely economic consideration by the union may result in wage demands which would not impinge upon employment, while institutional considerations may suggest somewhat different approaches on the part of the union leadership with respect to wage demands.

Local union leadership, under most situations, is probably less securely ensconced than is corporate management for the simple reason that it is easier to placate one or two superiors than it is to satisfy a host of heterogeneous workers within a local union. Leadership of a national union, however, is probably more secure than that of a local union, since national union leaders are farther removed from the whims and pressures of the rank-and-file members and, additionally, national union leaders may be more experienced in the general function of leadership than are local officials.

This is not meant to convey the impression that national union leadership is as securely entrenched as is corporate management, since this is probably not the case in most instances for several reasons. For example, union membership apathy tends to constitute more of a problem for union leaders than does stockholder apathy for corporate management. In reality, apathy on the part of stockholders may be of distinct advantage to corporate management, in that it is thereby given freer reign in the management of the firm. By contrast, union membership apathy poses a constant threat to the institutional security of the union as well as for its leadership. It is probably safe to conclude also, as does Professor Ross, that the trade union typically faces more of a threat in the form of repressive legislation than does the corporation, since unionism has never been fully accepted in the United States as entirely legitimate.

In view of the above observations of the character of the corporation and the union as institutions and the comparisons of the nature of their respective leaderships, Professor Ross points out that:

. . . trade union wage policy is inevitably a leadership function. The reason is not that the leadership has wrested dictatorial power from the rank and file, but that it alone is in possession of the necessary knowledge, experience and skill to perform the function adequately.⁴

The tendency, increasing in the late 1960's, for union members to refuse to ratify negotiated contracts may cast some doubt on Ross' statement regarding wage rates as being a leadership function. Ross also is convinced that:

. . . The trade union is a political institution which participates in the establishment of wage rates. To conceive of the union as a seller of labor attempting to maximize some measurable object (such as the wage bill) is a highly misleading formulation.⁵

Professor Ross is further convinced that forces do exist within society which bring about some uniformities in the wage structure but that these forces are not supply and demand in the labor market, as has usually been contended by the economist. Rather, he asserts, ideas of *equity* and *justice* perform this service. Such forces have always existed within the society, but organizational growth on both sides of the labor market has given them compelling force. Equitable comparisons are viewed as highly important to most workers, employers, unions, and labor arbitrators. Such comparisons are provided with additional strength through the administrative and political convenience of a ready-made settlement. These comparisons tend to become most coercive as bargaining moves in the direction of greater centralization, since small differences between the two parties then loom large and equal treatment is seen as being essential to labor/management peace. Thus, a lengthy strike or lockout over a few cents per hour may make little sense when viewed solely from an economic vantage point; but politically, it may mean the survival of a union or a given union leadership and hence take on tremendous importance.⁶

An interesting observation may be inserted here with respect to the fact that union leadership constantly appears to be more concerned with money wages than with real wages. Ross explains this by the assertion

⁴ Ross, *op. cit.*, p. 39.

⁵ *Ibid.*, p. 43.

⁶ For an interesting case study of the Rossian hypothesis, see Donald E. Cullen, "Union Wage Policy in Heavy Construction: The St. Lawrence Seaway," *American Economic Review*, Vol. XLIX, March, 1959, pp. 68-84.

that it is obvious to union leadership that a single union can have very little influence over the general price level in most cases but it may exercise much more control over its members' money-wage level. Politically speaking, it is also desirable from the viewpoint of union leadership that the increase in members' living scales come via an increase in money wages rather than through a general price level decline, since the union leadership will be accorded more credit by the members for securing the money-wage increase than for any possible influence which it may have had on the general price level. Hence, once again, the political approach appears to offer a better explanation for the actions of a given union leadership than the purely economic approach. It is also vaguely possible in this connection that the members of an individual union, sensing the traditional stickiness of oligopolistic prices, cannot be certain that prices will decline generally just because they forgo a wage increase, nor can they be certain that other unions will exercise similar restraints in their bargaining. Thus, to make certain that they "keep up," they will exert strong pressure upon leadership of the union to produce constant increases in the money wage. There is obviously a mixture of economic and political considerations in this sequence of thought and action by union members and leaders. By the same token, it should be noted that management is also impelled by political considerations to "stay in line" with other management groups with respect to wages, since it is a generally unpopular act for a given management to operate in the role of a wage-rate booster, just as it is a generally unpopular act for a firm to pose as a price-cutting agency.

Professor Dunlop has noted that the typical labor market today is more of an "administered" market than it is an "automatic" one, since collective bargaining has tended to replace the automatic mechanism of the labor market in the determination of wages.⁷ Dunlop observes that as an administering agency, collective bargaining is "a much more powerful and effective tool, much more potent for good or evil." He views the area of the bargaining unit⁸ as of real importance in so far as the results of collective bargaining with respect to wages are concerned. Thus, the smaller the bargaining unit, the more inelastic the demand for labor will appear to be, and hence the more apt a small union will be to push up rates of wages to the detriment of the total work force. On the other hand, larger bargaining units virtually force the union to become more closely acquainted with the technology of the industry, competitive conditions in the product market, the capital structure of the firm in

⁷ John Dunlop, *Wage Determination under Trade Unions* (New York: Macmillan Co., 1944), pp. 224-28.

⁸ The term *bargaining unit* refers to the group of employees for which a union is the official bargaining representative as a result of either governmental designation or employer acceptance.

question, and other management problems as it formulates and rationalizes its wage demands.

Professor Myers has concluded that the greater the degree of unionization found within an industry, the weaker will be the *economic* pressures on any one firm to resist wage demands and, consequently, the wider the range within which political pressures can motivate union leaders.⁹ On the other hand, Myers notes that the smaller the degree of unionization within an industry, the stronger will be the economic pressures on both union leaders and the firm not to make out-of-pattern wage settlements and, as a result, the narrower the range within which political pressures can operate upon union leaders to match wage settlements in other firms and/or industries. Myers is of the opinion, however, that the conflicting pressures tend to be resolved in a manner which is politically acceptable to the union's survival as an institution. Finally, Myers indicates that over the long run, the greater the cyclical or secular downward shifts in product demand, the more restrictive are the economic pressures in particular firms, segments of an industry, or the industry as a whole, and the narrower, therefore, the range within which political pressures may operate to influence union leaders' wage demands. The reverse would be true, of course, where significant upward shifts in product demand result from cyclical or secular changes—i.e., political pressures would operate over a wider range as an influence on the wage demands of union leaders.

It has further been noted on occasion that a union desiring to survive will be constrained from forcing management to pay wages which would prevent it from realizing a return much less than it could realize elsewhere. Additionally, a union would find it extremely difficult to compel management to pay wages which would deprive it of accepted compensation for the managerial risks involved. In the short run, management would oppose such "excessive" demands by direct resistance to the union; over the longer run, management might seek to break the collective bargaining tie.

In discussing the determinants of union bargaining policy, it has frequently been observed that the trade union is not oblivious to or unconcerned about the economic aspects and problems of the firm and/or industry. The classic example of union concern with the economic problems of the firm is the action by the United Auto Workers union in 1954 with respect to the Studebaker Corporation. Because the firm was then experiencing grave financial difficulties, the union voted to accept wage cuts ranging from \$12 to \$20 per week when other automobile workers were receiving increases. Similarly, in 1964 members of the

⁹ Charles A. Myers, "Empirical Research on Wages," *Proceedings of Sixth Annual Meeting of Industrial Relations Research Association*, 1953, Publication No. 12 (Madison, Wis., 1954).

United Auto Workers local union in Akron, Ohio, voted 439 to 150 to accept pay cuts averaging about \$30 per week per employee when the Goodyear Aerospace Corporation had said that overtime pay would force it to leave Akron unless such pay were reduced. In March of 1966, members of the Steelworkers Union voted 1,413 to 253 to accept a pay cut in order to save their jobs with the New Kensington, Pennsylvania plant of Aluminum Company of America. Involved in this move also was the dropping of an incentive wage plan and the taking of several steps to make the plant operation more efficient and thus avoid the necessity of closing the plant. In August of 1966, employees of Swift and Company in St. Joseph, Missouri voted to accept cuts in pay in order to make it possible for the firm to continue its beef-processing operations and, thus, to preserve the jobs of the employees. The firm had contended that unless relief in employment costs was forthcoming, this operation would have to be discontinued.

The primary motive underlying the actions noted was apparently that of assuring the survival of the employing unit and the jobs which it supplied. Just how far a union or its members would be willing to go in preserving a given employing unit is indeed a moot question. Presumably, at some point the union and/or its membership would not accept a wage from a given firm which was too far below the going wage. Even if the union's members voted officially to accept pay cuts for a time, it is possible that the better workers might individually decide to move to better paying jobs in the area and/or industry and thus leave the firm with a somewhat depleted work force qualitatively speaking. This would be especially possible, of course, if conditions in the industry or area are flourishing and alternative job opportunities are plentiful.

It should be noted, too, that on several occasions, unions have offered to help the employer or an industry to resolve economic difficulties with a view to increasing the economic security of firms and workers alike—not to mention that of the union. In this connection, unions such as the International Ladies Garment Workers Union, the Amalgamated Clothing Workers Union, and the United Mine Workers Union have often been mentioned. The ILGWU has helped to reorganize the whole industry by discouraging the existence of irresponsible contractors and subcontractors, for example, while the ACWU has helped in the reduction of production costs in numerous plants. The UMW, under its former president, the late John L. Lewis, frequently acted to add strength and stability to the coalmining industry.

It has been contended at times that more union leaders might cooperate in solving economic problems of the firm if the union membership would permit such action. Union leaders have often been accused by the membership or by would-be rival leaders of "selling out" to management when they appeared to be working to aid the firm. Also, on occasion,

union leadership has been discouraged by management itself from cooperation with the firm. Such a managerial attitude is probably traceable to fears of further encroachment by the union on managerial prerogatives.

Union Bargaining Arguments

Further insight as to the determinants of the bargaining limits of the union may be gained from a knowledge of major arguments utilized by labor organizations in the process of negotiation. Unions frequently argue that the firm should pay *comparable* wage rates, or rates which are in line with those of other firms in the area or industry. This argument is often referred to as the "going wage" or "prevailing wage" argument and is closely connected with the traditional union objective of the uniform union wage scale as a defense against competitive underbidding by workers in the labor market. Needless to say, the argument poses numerous problems related to job content differentials, differences in methods of wage payment, and the like.

A second argument frequently advanced by labor unions is that wages should vary directly with changes in *productivity*, thereby assuring the union members of an immediate share in the improved ability of the firm to turn out goods per man-hour. This approach involves such problems as the conflict between changes in average productivity of an industry versus changes in the productivity of an individual firm, as well as the problem of measuring changes in man-hour productivity satisfactorily as among the several factors of production.

In periods such as most of the years since World War II, unions are quick to employ the *cost-of-living* argument, asserting that wages should keep up with advances in the cost-of-living index and, if at all possible, rise more rapidly than the cost-of-living index. This argument is productive of numerous problems also, such as the inadequacy of the cost-of-living index as a precise measuring device, the inflationary impact of this approach in periods of tight labor markets, and similar problems.

Still another common approach of the union in wage bargaining is that of *ability to pay*, in which it is generally contended that the employer should be required to pay a wage in keeping with his financial status. Problems are raised by this approach also, such as the problem of the average ability of firms within an industry to pay wages versus the ability of a particular firm to pay wages. Also present, of course, is the knotty problem of the rate of return to which a firm is to be entitled with respect to its investment. In this connection, it is of interest to note expressions by the AFL-CIO with regard to the use by unions of financial information in their bargaining activities:

In preparing for bargaining, unions normally try to check all factors which might have a bearing on the negotiations. This includes not only wage levels

and increases negotiated elsewhere and cost-of-living and productivity data, but such economic information as the company's financial statements which indicate its past record, how well the company is doing currently and its apparent prospects for the period ahead, as well as how the industry as a whole appears to be faring.

. . . Most of the bargaining is based primarily on the factors other than profits and financial status. The issue is normally *willingness* to pay and not ability to pay.

. . . but good profits and a high level of business activity tends (sic) to make for somewhat more liberal wage settlements.¹⁰

Other writers have noted that while high profits may not of themselves operate to push wages upward, they tend to weaken employer resistance to other factors which do exert an upward influence on wage rates. By the same token, low profits tend to have an opposite effect.

It should be further noted that just as unions utilize the above arguments in *presenting* wage demands, so management groups will be found to employ the same arguments, but from a somewhat different viewpoint, in *resisting* wage demands. The parties frequently switch arguments as their bargaining strength from time to time dictates. Thus, in a period of inflation, the union will use the cost-of-living argument as a basis for a wage increase; by contrast, the employer will utilize this argument in periods of recession as a basis for cutting wages or holding the line with respect to wages. In periods of booming economic activity, unions advance the "ability to pay" argument as a basis for raising wages; during recession periods the employer will use the same argument as a justification for lowering wages or holding to given wage rates. In these arguments, as in the preceding discussion, elements of economic rationale are found to be intermixed with elements of political considerations in so far as both the unions and the management groups are concerned.

Thus, it should be apparent that a number of factors enter into the determination of the upper and lower limits of bargaining on the part of both union and employer in short-run wage negotiations. Many of these factors are economically oriented; many of them are politically slanted. By the same token, many of the factors are membership- or ownership-oriented; many are leadership- or management-oriented. It is impossible to conclude which set of factors exerts the greatest influence upon labor and management representatives at a given time. It is considered a reasonable conclusion by numerous writers that neither management nor the union leadership is *always* acting so as to maximize some economic quantum such as profits or the wage bill, respectively, in given short-run situations, since political considerations constantly impinge upon the planning of both groups in varying degrees. In the same manner, most writers would probably contend that political considerations of the two

¹⁰ AFL-CIO, "Financial Information in Collective Bargaining," *Collective Bargaining Report*, Vol. 3, No. 3 (Washington, D.C., March, 1958).

parties do not reign to the exclusion of economic objectives. Management certainly cannot be presumed to strive for the elimination of profits, nor does union leadership function long in complete disregard of the economic needs or desires of the membership.

Running throughout the foregoing discussion is the implicit observation that power—bargaining power—of the respective organized groups figures quite importantly in the setting of specific short-run wage rates. Perhaps this is inescapably essential in the type of labor market which the industrialization process spawns. Thus, the Selekman (Sylvia and Benjamin) have observed that: "Power, indeed, with its capacity to punish or deprive constitutes the indispensable prerequisite for negotiations." They further assert that without power on *both* sides of a given negotiation, "the strong dominate; the weak retreat, submit or play for time."¹¹ These writers are convinced, however, that the eventual existence of power on both sides of the labor market does not necessarily mean that naked power alone will be permitted to determine the outcome of any given negotiation. As a matter of fact, negotiators, being men, are pictured as using other human endowments such as reason, morality, tradition, and the like to side-step the application of "raw power." Both parties are viewed as feeling a need to justify their respective positions by appealing to "the decent opinion of mankind." Furthermore, opposing groups are more often than not impelled to seek a balance of power under which compromise can be arrived at, rather than to resort to violence.

WAGE DETERMINATION IN UNORGANIZED MARKETS

Although millions of workers' wages are set in the short run through the operations of collective bargaining which have been considered above, millions of other workers receive wages which are determined in largely unorganized labor markets. These wages, too, are undoubtedly influenced in the long run by what happens to wages in the organized markets,¹² but in given short-run situations, they are set unilaterally by the employer through some means or other. Brief consideration will be

¹¹ Sylvia and Benjamin Selekman, *Power and Morality in a Business Society* (New York: McGraw-Hill Book Co., Inc., 1956), pp. 156-74.

¹² Thus, some studies have purported to show that there is actually little difference, on average, between wages in unorganized labor markets and those in highly unionized markets. The nonunion employer who desires to prevent unionization or the lowered morale of his workers which may result in high turnover rates must not drop too far behind union wage scales elsewhere. Where wage differentials are noted as between organized and unorganized markets, they appear to be temporary and tend to shrink in the long run. For detailed treatment, see James R. Schlesinger, "Market Structure, Union Power and Inflation," *Southern Economic Journal*, Vol. XXIV, No. 3, January, 1958, pp. 296-312.

given here to factors which may influence the employer in his wage decisions.

Even in the unorganized labor market, it soon becomes evident that economic considerations are *not* the sole determinant of the firm's wage policies. Rather, a variety of factors actually influences the employer in the process of affixing a price tag to labor units being employed or which he may wish to acquire in future employment plans. Some of the factors may be political in nature, others may be sociological in nature, while still others may possess a psychological basis.

Professors Daugherty and Parrish see the employer's wage policies as determined by an admixture of what he considers he is *able* to pay, what he estimates he *has* to pay, and, finally, what he decides he is *willing* to pay.¹³ The employer's estimate of his wage-paying *ability* is seen as being influenced by such considerations as (1) the price or prices which the employer thinks he can command for his output, (2) the employer's estimate of the marginal cost and revenue of labor, and (3) the employer's estimate of the prices of factors which are complements of or substitutes for labor. On the other hand, the price which the employer estimates he *must* pay for labor is arrived at by his assessment of the prices being paid for various grades of labor in his immediate area and thus by what he becomes convinced he must pay in order to attract and maintain the desired work force. Generally, the wage rate which the employer thinks he *has* to pay is lower than the rate he is *able* to pay, in the opinion of Daugherty and Parrish. Therefore, in the final analysis, the employer's *willingness* to pay labor may well be the determining factor. This latter concept is envisioned by the writers as being shaped largely by noneconomic factors or motivations such as the employer's desire for social approval and/or acceptability. In this connection, it might be appropriate to note that different employers court social approval in different ways. Some—probably a minority—seek social approval through aspiring to the role of the leading wage-paying firm in the area. Others—and these are far more numerous—seek social approval (of their peers) by helping to hold the line or the *status quo* with respect to wages and thus to avoid incurring the displeasure of fellow employers which usually results from a given firm's pressuring wages upward.

Professor Lester comments at length concerning the wage policies of firms and their origin.¹⁴ He finds wage objectives of individual firms to include (1) the maintenance or achievement of wage leadership in the area or industry, (2) the preservation or enhancement of the firm's prestige as an employer of labor, (3) the compliance with community or

¹³ C. R. Daugherty and J. B. Parrish, *The Labor Problems of American Society* (Boston: Houghton Mifflin Co., 1952), pp. 55 *et seq.*

¹⁴ Richard A. Lester, *Labor and Industrial Relations* (New York: Macmillan Co., 1951), p. 215.

industry wage patterns, (4) the conformance to ethical notions of "fairness," (5) the influencing of the firm's labor supply from a qualitative standpoint, and (6) the achievement of company-wide uniformity in the instance of a multiple-plant firm. Thus, it is obvious that Lester concurs in the belief that noneconomic factors operate alongside economic factors in shaping the wage decisions of the employer.

In his analysis of the wage-setting activities of the nonunion employer, Professor Reynolds has asserted that at any given time the employer may be thought of as having in mind maximum and minimum wage levels.¹⁵ The minimum wage level is considered to be the point below which the employer estimates the firm could not maintain the desired work force, while the maximum wage level is seen as the point above which the employer estimates the firm would experience the problem of operating losses and/or the diminution of profits. The limits referred to by Reynolds are described as tending to lie closer together the longer the time period under consideration, and it is further noted in this connection that the two points or levels would be identical for a firm in a static, perfectly competitive economy. In the short run, under conditions of imperfect competition, however, a firm might manage to get along for a brief time with a wage level below the minimum without losing its work force members. By the same token, in a given short-run situation, wages somewhat above the maximum point might be absorbed by the firm even though operating losses or diminished profits result. Reynolds also points out that a given employer might unwittingly be paying wages outside the limits mentioned for a short time owing to the fact that he may have misjudged the location of the limits or perhaps because of a strong desire for the prestige which might be accorded the wage leader in a labor market. Reynolds, too, is of the opinion that both economic and noneconomic motivations enter into the employer's estimations of the limits in question, since he notes that the typical employer would weigh the following in ascertaining the wage limits: the firm's profit position, wages being paid in other firms (union and nonunion), attitudes of work force members, qualitative aspects (productivity) of the work force as related to wages, legislative requirements pertaining to wages, commodity selling prices and possible changes therein, and the elasticity of the demand for the firm's output. The last item should be accorded great importance, since it is undoubtedly quite influential in the determination of wage-paying ability, especially as regards the firm's ability to increase wages without seriously endangering output and employment.

Thus, the determination of wage rates in the short run within an industrial economy would appear to reflect the combined and intermin-

¹⁵ Lloyd Reynolds, *Labor Economics and Labor Relations* (2d ed.; New York; Prentice-Hall, Inc., 1954), pp. 551-57.

gled influence of a number of varied factors. Economic considerations are among them, to be sure, but also included are varying degrees of sociological, political, psychological, and other miscellaneous influences. It cannot be emphasized too much that collective bargaining exerts an influence, directly and indirectly, in the determination of the free enterprise economy's short-run money-wage bill. Even the unorganized firm, given full or high-level employment, must be careful not to let its wages or other employment conditions digress from those in organized firms too much. Failure to "keep in line" would cause the firm to face the risks of losing its better workers, lowered morale and productivity of dissatisfied workers, and the possibility of the work force becoming unionized. This is not to say that the unorganized firm must be exactly in line with organized firms because imperfections of competition, including imperfect knowledge and mobility of labor, would make possible some differentials in wages and working conditions—differentials which would vary inversely with the level of employment and directly with the distance between the unorganized firms and those with a high degree of organization. As was noted in the preceding chapter, it would be highly unlikely that all or even most short-run wage rates come to rest exactly upon the level of the respective labor productivity. To the extent that the resulting wage rates lie appreciably out of line with marginal productivity, there is some reason to believe that developments will eventually be initiated by either or both parties to attempt to bring about at least a closer alignment between the wages of labor and its marginal productivity. This observation would be subject, of course, to all the limitations of imperfect knowledge on the part of labor and management representatives, irrational motivations at times of either or both of the parties, and all the unforeseen dynamic changes of a mature industrial economy. It would probably be more realistic to observe, therefore, that each party attempts adjustments of wage rates which will bring them closer to what each *thinks* is the marginal productivity of the labor in question.¹⁶

RELATIVE WAGE RATES

The discussion thus far in this chapter has been confined to the methods whereby absolute values of short-run wages are determined. Another important problem with relation to short-run wages is that of the methods whereby *relative* wages or values are allotted to the various jobs or positions within the firm's total wage structure.

In both organized and unorganized labor markets, the problem of relative wage rates must somehow be resolved after it has been decided

¹⁶ Some would argue, it should be pointed out, that the union in particular gives little or no consideration to marginal productivity of labor in shaping its wage demands.

how much in the way of absolute funds is to be made available for wages generally. Numerous approaches have been and are utilized by firms, unilaterally or bilaterally (through negotiation), to ascertain the relative worth of the sundry jobs and positions of the enterprise.

Prior to World War I, highly subjective rule-of-thumb methods were utilized in the evaluation of jobs, with much depending upon a given job's historical status or position, which in turn may have been in part a result of such accidental developments as the scarcity of a given type of labor over a period of years or divergence in dates at which collective bargaining began first to play an important role. Custom, tradition, and inertia then combined to hold the wage rate to a given relative position in the firm's wage structure regardless of subsequent changes in the job's content and relative importance in the production process. Needless to say, millions of jobs are still evaluated in this manner, with custom and inertia combining with historical accidents to wield some influence in the evaluation of most jobs or positions. Since World War I, however, and particularly since World War II, increasing numbers of firms have instituted allegedly more scientific approaches to the problem of ascertaining relative job worth. These sundry approaches are collectively referred to as systems of *job evaluation*, with some being instituted by the employer unilaterally and others (a minority, thus far) being a result of union/management joint endeavors.

Job evaluation of the more formal type, just alluded to, can be said to represent an attempt to minimize *subjective* human judgment in the determination of relative job values and to maximize the use of *objective* procedures. Thus, since 1915, four major formal job evaluation systems have evolved, with each system introducing more alleged "refinements" than the system immediately preceding it. These systems, in chronological order, are the *ranking* system, the *grade description* or *classification* system, the *factor comparison* system, and the *point* systems. Modifications and combinations of the four major programs are also quite commonly found as firms seek to profit from the strong points of two or more systems while eliminating recognized weaknesses of each.

The ranking and classification systems are known as *nonquantitative* systems, since they make no use of quantitative devices such as points or scores in the evaluating process. The ranking technique employs simply a procedure of arranging or stacking cards containing the firm's job titles in order, from the most difficult to the easiest job, and then assigning money rates which seem appropriate in view of the individual job's position in the array. The classification system utilizes a number of labor grades or classes and allocates jobs among the grades through a process of comparing job descriptions with labor grade descriptions until the job's most logical slot is determined. Assignment of money rates is more or less automatic after the jobs have been classified, since appropriate

rates or rate ranges have previously been assigned to the labor grades. It may be seen that both of the nonquantitative systems are characterized by the ranking and rating of the whole job in comparison with other whole jobs and/or labor grades. No effort is made to break down the jobs into various aspects for comparative purposes.

The factor comparison and point systems are referred to as *quantitative* systems, owing to the fact that they do make use of quantitative measurements in the evaluation process. Both of these systems also break the jobs down into factors or characteristics, scoring or rating one factor or characteristic at a time and concluding with a final overall ranking of jobs based upon previous atomistic appraisals. Use is frequently made in these systems of key jobs, i.e., jobs whose rank and money value are universally enough agreed upon that they can constitute measuring rods against which other jobs may be compared. Once the jobs have been ranked, appropriate money rates are assigned to them in various ways, with statistical devices such as the least squares method becoming increasingly common in use. It should further be noted that most point systems are weighted systems in that the job characteristics are assigned maximum point totals which are not equal in size but which vary in accordance with the relative importance which the characteristics are judged to possess in the job evaluation process. Point systems are by far the most common in industry today, while factor comparison systems would probably rank second on this basis.¹⁷

Although it is alleged that formal job evaluation programs introduce a degree of objectivity to the evaluation process, it should be apparent that the process remains highly subjective in nature. Thus, subjective judgment enters into the choice of the job evaluation system to be used, the selection of job factors or characteristics to be measured, the decision as to the weight to accord each factor, the analysis and description of the jobs, and, finally, the method to be used in assigning money rates to jobs once they have been ranked. It is not surprising, therefore, to note that workers, labor organizations, and even management representatives are far from uniformity in their respective attitudes toward formal job evaluation. Some workers and their unions are unalterably opposed to job evaluation systems, consider them to be solely a management device for depressing wages, and therefore will have nothing to do with them. In part, these attitudes have often arisen because of ulterior purposes which some firms have had for their job evaluation programs, while a lack of understanding of formal job evaluation may be responsible for much of this negative attitude. Other workers and their unions take the position that job evaluation is a management device; and hence, they want no

¹⁷ For a detailed discussion of formal job evaluation systems, see David Belcher, *Wage and Salary Administration* (2d ed.; Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1962).

part in its application, but at the same time, they do not refuse to work under such a program. Such groups usually insist upon the right to question or challenge evaluations of jobs through the grievance machinery. Finally, still other workers and their unions consider job evaluation as capable of functioning as a useful supplement to collective bargaining; and such groups, as a result, may actually welcome job evaluation programs—especially if they are bilaterally selected, set up, and operated via union/management job evaluation committees.

Probably one of the most basic fears of union leaders and members with respect to job evaluation is that it will replace collective negotiation of wage rates, a right which they logically feel has been accorded them through legislation. While this fear is understandable and perhaps justified upon occasion, job evaluation and collective bargaining need not be mutually exclusive devices. Job evaluation can serve quite well in a complementary fashion with respect to collective bargaining, as has been demonstrated. In this sense, collective bargaining may serve as the predominant medium for decisions as to the size of the *absolute* wage bill, while job evaluation may make some contributions in the process of dividing absolute amounts among the respective jobs. Thus, in effect, collective negotiation determines the vertical position or height of the firm's wage curve, while job evaluation influences the degree of slope possessed by the wage curve. It should be recognized, however, that relative wage rates by way of job evaluation which are distasteful to individual workers present severe problems for union leadership in so far as maintaining harmony among the members as well as confidence in the current leadership is concerned.

Theoretically, job evaluation and collective bargaining tend to strive for somewhat common ends, albeit by diverse routes. They both strive for uniform wage rates for identical jobs, a traditional goal of labor unions. Both approaches stress the evaluation of the *job* as opposed to the *individual*. Both devices lead to the investigation of wage rates being paid elsewhere. It has been shown earlier in this chapter that union leaders are quite conscious of wage gains scored by rival unions and strongly desire to "keep up" with them, while the typical firm employing job evaluation almost invariably relies upon a wage survey of some type in order to ascertain whether the firm's wage curve is "in line" with the average or median wage curve of the labor market.

Although job evaluation grew most rapidly during the World War II period when the influence of wage and price controls stimulated the creation of formal evaluation systems, its use has continued to spread since the war, albeit at a more conservative pace. While the recognized limitations of job evaluation are many and its problems and weaknesses are similarly plentiful, many students of relative wages are convinced that in the proper setting and under ideal administrative arrangements,

the formal evaluation of jobs is capable of making some valuable contributions to the short-run determination process with respect to relative job worth.

GOVERNMENTAL INFLUENCE

Although detailed consideration of sundry governmental impacts upon the labor market and union/management relationships will be undertaken later on, passing notice should be taken at this time of the influence exerted by governmental agencies upon short-run wage levels. While it is common to picture this nation as a free enterprise society where the influence of government is minimized, there has been a marked increase through the years in the role played by government in short-run wage determination. Reference here is not made to the periods of World War II and the Korean War when, it is obvious, governmental regulation of wages in the United States reached an all-time peak in the attempts of the central government to prevent inflationary wage movements. Rather, peacetime or allegedly "normal" governmental influence upon wage rates is the subject of consideration here.

First of all, the very recognition of and protection for collective bargaining which federal law now affords, along with many state laws, has been instrumental in making collective negotiation of wage rates in many industries the rule rather than the exception. This development has matured since the decade of the 1930's, when general legislative protection and encouragement of collective bargaining was first extended by legislative agencies within the United States.

Secondly, and also since the 1930's, the federal government and over thirty state governments have enacted minimum-wage legislation. This legislation not only affects the lowest paid workers in the labor force but also has its impact ultimately upon such factors as the relative alignment of job rates in the nation's wage structure, the allocation of the labor force in employment, efforts to make plants more efficient, and, finally, the total wage bill of the society as workers not directly affected by statutory wage minima seek to restore their prior superiority over the wage rates of those on the bottom rung of the occupational ladder.

A third instance of governmental influence upon wages exists in federal requirements for premium pay for work in excess of the so-called "normal" forty-hour work week. This legislation also has its impacts upon wage rates, total wages paid by the firm, and the number of working hours for which wages are paid. The federal government also exercises some influence on wage rates through its contracting activities. Thus, under the Davis-Bacon Law and the Walsh-Healy Act, firms with federal government contracts must pay prevailing wage rates. Finally, most state legislatures have enacted various laws with respect to the time and

method of wage payment which affect the mechanical aspects of wages, of course, much more than the level of wages.

In the fourth place, legislation designed to regulate and/or protect child and female labor should be noted as constituting an indirect governmental influence upon wages. This influence stems from whatever effects such legislation may have on the total labor supply of the nation. Since it is most likely to reduce the overall labor supply, its influence would tend to be one of exerting some upward pressure on wages. Also of interest here is the provision by the federal government and numerous state governments of "equal-pay-for-equal-work" legislation. Enacted largely since World War II, this legislation is designed to try to eliminate discrimination against women in the short-run wage determination process. A possible side effect might be that of occasionally decreasing the demand for women employees if the firm really feels that men are to be preferred if the same wage rate must be paid.

Finally, beginning with the Kennedy Administration in 1962, the use by the Federal Government's Executive Department of wage and price "guidelines" represents still another form of governmental influence on short-run money wage determination. In the steel negotiations of 1962, the union was admonished to keep wage demands from exceeding the 3 percent limit suggested by the Administration while steel firms were cautioned to hold prices constant. The union accepted a wage package which was within the Administration "guidelines." Later, however, some steel firms raised some steel prices but were influenced to roll them back when President Kennedy threatened them with antitrust investigations. In 1964, President Johnson followed the Kennedy innovation by suggesting a wage "guideline" of 3.2 percent coupled with the admonition to industry to hold the price line. It is noteworthy, too, that the central government in England also initiated the use of "guidelines" in 1962 with unions being advised to hold wage demands to a maximum of 2.5 percent. In 1965, shortly after coming to power in 1964, the Labor Government developed still further the use of guidelines in England. For the first time the guidelines were determined by government with the cooperation of employers' and workers' organizations. Additionally, a National Board for Prices and Incomes was created to investigate any increases in wages and prices in excess of the guidelines. Finally, the Labor Government threatened the use of price and wage controls if the forces of persuasion and public opinion should prove inadequate. Thus, the implications from the Labor Government's use of guidelines are even stronger than those stemming from action by the preceding conservative government. It should be noted, however, that the 1965 guidelines of 3.0 to 3.5 percent were more liberal than those of 1962.

The guideline approach failed to live up to the expectations of its adherents in both England and the United States. Major wage agree-

ments here such as the auto contracts of 1964 and 1967 as well as the copper agreement of 1968 embodied wage raises considerably in excess of the guidelines. Similar developments occurred in England. As a result, the Labor Government in England moved from guidelines to the more positive device of the wage and price freeze while in the United States less and less mention was made of the guidelines after 1965 and the parties were left more or less to their own devices in negotiating wage agreements. Many students of the problem were convinced, therefore, that if it be deemed necessary to curb upward movements of wages and prices, nothing short of wage and price *controls* will probably suffice. Most free enterprise economies avoid such extreme measures, however, except during major war efforts or during austerity programs such as accompanied England's devaluation of the pound sterling in 1968.¹⁸ For example, later in 1968 the Labor Government introduced and passed legislation putting a 3.5 percent wage ceiling into effect temporarily. In reaction to this move, however, the TUC (Trades Union Congress—England's counterpart of the AFL-CIO) voted overwhelmingly to demand that the government repeal its policy of restraining wage increases. Thus, a degree of labor rebellion against a Labor Government had emerged finally after some years of reluctant support of the guideline approach. The AFL-CIO in this country went on record in its December, 1967, convention as continuing to protest the use of wage guidelines. The Federation at the same time indicated that if such restraints are considered vital by the President, it would support any attempt to restrain "all costs, prices, profits, dividends, corporate executive compensation, as well as employees' wages and salaries." The Federation objected to the emphasis being placed on employees' remuneration. Hence, it would appear that labor's support of controls could only be secured if all groups are asked to make a similar sacrifice in the interest of price stability.

What might be called a more selective approach than the wage and price guidelines was initiated by the Nixon administration late in 1969. Observing that wage and price increases seemed to be most pronounced in the construction industry, a special construction commission was appointed by President Nixon to try to influence unions and firms in this industry to hold down wage settlements and also to avert the long, drawn-out strikes which have characterized this industry. The committee is tripartite in nature with equal representation of the construction unions, construction firms, and the public. Construction unions were asked to give 30 days' notice before going on strike to provide time for the committee to try to bring about a compromise settlement and thus prevent a cessation of work. Committee recommendations are not bind-

¹⁸ For a complete discussion of the use of presidential wage "guidelines," see Abraham L. Gitlow, *The National Wage Policy: Antecedents and Application*, a research study (New York: Schools of Business, New York University, July, 1964).

ing on the parties. Labor Secretary George Shultz was named as the head of this committee. It remains to be seen whether the committee can have any substantial effect and, even if it does, if this effect would then spread to other industries because this is part of the administration's hope or strategy. The new approach might be termed a supplement to monetary and fiscal anti-inflation policies as well as an alternative to direct wage and price controls.

It becomes clear, then, that in addition to all of the economic and noneconomic factors which influence labor and management representatives in their determination of short-run wages, attention must also be given to governmental enactments and regulations which impinge upon wages. A firm which anticipates a great amount of overtime work will probably muster greater resistance to a proposed hourly rate increase than would have been the case in the absence of legislative requirements for overtime premium pay. By the same token, a union's pressures for higher rates of pay for semiskilled and skilled workers may be strengthened by a boost in the legal minimum-wage rate by a state wage board or by the federal Congress. The point should be noted carefully that while the precise effects of governmental influences upon wages are virtually indeterminate, no management or labor representatives can proceed intelligently to negotiate wage rates while ignoring this category of influences. Similarly, the student of short-run wage rates and their determination cannot afford to overlook intervention by governmental agencies in the wage area.

SUMMARY

Review of the process of short-run wage determination in a mature industrial society reveals that its complexity is probably the most important single characteristic. Key media through which various forces operate to set or influence wage rates are, increasingly, gigantic firms with some *monopsonistic* powers on the buyers' side of the labor markets and equally gigantic labor unions with some *monopolistic* powers on the sellers' side of the labor markets. The forces which operate through these media are an unknown and indeterminate mixture of economic and political motivations, with some sociological and psychological pressures tossed in for good measure. It is still a moot question as to which variety of influences exerts the greatest amount of pressure upon short-run wage determination at any given time. Most economists would probably contend that, given the existence of recognized noneconomic influences, it is still basically the economic considerations of the firm and/or union which, on balance, or on the margin, determine the short-run prices which are paid for the labor employed. Other students in this area would assert that the noneconomic influences are not so easily "assumed away"

and hence should receive much more attention than they have in the past if a complete understanding of the wage-setting process is to result.

The nation's wage rates, which are the product of the maze of influences just noted, are anything but uniform even for seemingly identical jobs in different labor markets or within the confines of a single labor market. It is also quite likely that the wage rates assigned workers in a particular plant at a particular pinpoint of time, by whatever method, are at variance—in one direction or the other—with the level of marginal productivity of the work group. Most economists, however, would cling to the assurance that such variance, when detected by the group adversely affected, will produce ultimate adjustments which, over the longer run, would bring the wage rates closer to the norm of labor's marginal productivity. Other writers would tend to be highly skeptical of the existence of this alleged built-in adjustment mechanism. Their doubts would appear to be weakened somewhat, at least, by the relatively constant relationship which has been found to exist over time between wages on the one hand and gross national product on the other.

It is highly important to note, regardless of views on the relative influences of economic and noneconomic forces, that for the major basic industries of an industrial nation (directly), and even for most other industries (indirectly), collective bargaining, subject to governmental regulation and influence, has come to constitute the predominant mechanism for the determination of short-run wage rates. Thus, it has largely replaced the older mechanism of individual bargaining as a *process* for pricing employed labor, with the actual long-run influences of collective negotiation upon wage levels or wage rates still much in doubt. This transformation has occurred, it should be recalled, primarily because of the impacts which industrialization has exerted upon labor markets, as discussed in an earlier chapter. Further evolutionary developments in the processes of short-run wage setting should be anticipated as labor markets continue to absorb new impacts from additional industrialization.

DISCUSSION QUESTIONS

1. Enumerate and analyze various factors which may exert an influence in the determination of (a) the employer's bargaining limits and (b) the union's bargaining limits.
2. How could a strike or lockout conceivably occur even though a range of practical bargaining exists between the lower limit or "sticking point" of the union and the upper limit or sticking point of the employer? Consider the role which inexperienced or inept bargaining might play.
3. What methods might an arbitrator utilize in trying to discover a possible range of practical bargaining between two negotiating parties who have reached a seeming impasse?

4. Do you agree with Pigou that a negotiated wage is "unfair" if it lies outside the limits of labor's marginal productivity? Why, or why not?
5. Discuss possible noneconomic motivations which may impel a given union leadership to register a given wage demand. Do the same for the employer impelled to take a certain stand on wages for noneconomic reasons.
6. Professor Dunlop has suggested that a given union leadership may shape its wage demands with a view to maximizing union membership rather than employment or the total wage bill. How might such a motivation influence a union's wage demands?
7. Attempt to demonstrate the close relationship between the economic and noneconomic motivations of union leadership.
8. Why is it contended by some that union leaders are more insecure than are corporate officials and therefore have less latitude in their activities or in their wage demands?
9. Discuss some of the problems posed when wages are adjusted to keep pace with the cost of living. On the other hand, how can such attempts be justified from the standpoint of the workers in question?
10. If wages were set purely and simply in accordance with the "ability to pay" doctrine, what problems would arise within given industries or within the economy as a whole?
11. It has been said that formal job evaluation programs can never be perfectly scientific or objective. Why is this statement true?

SELECTED READINGS

- DUNLOP, JOHN. *Wage Determination under Trade Unions*. New York: Macmillan Co., 1944.
- MYERS, CHARLES A., and SCHULTZ, GEORGE P. *The Dynamics of a Labor Market*. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1951.
- PATTON, J. A., and LITTLEFIELD, C. L. *Job Evaluation*. Homewood, Ill.: Richard D. Irwin, Inc., 1957.
- PIERSON, FRANK C. *Community Wage Patterns*. Los Angeles: University of California Press, 1953.
- ROSS, ARTHUR M. *Trade Union Wage Policy*. Berkeley: University of California Press, 1948.
- TAYLOR, GEORGE W., and PIERSON, FRANK C. *New Concepts in Wage Determination*. New York: McGraw-Hill Book Co., Inc., 1957.
- WOOTTON, BARBARA. *The Social Foundations of Wage Policy*. New York: W. W. Norton & Co., Inc., 1955.

SIGNIFICANT WAGE TRENDS

In the course of the preceding two chapters, the problem area of wages was investigated from the standpoint of wage theory and short-run determination of wage rates. This chapter will be concerned with some of the more important wage trends which have been in the process of developing during the twentieth century in the United States. Included among the items for consideration will be the following: trends in money- and real-wage levels, the relative importance of wages as a component of national income, shifts in wage structure differentials, changes in the composition of wages in major industries, developments in methods of wage computation, and trends in the "adequacy" of average wage rates.

TRENDS IN MONEY- AND REAL-WAGE LEVELS

Both money and real wages have risen almost phenomenally in the United States during the present century. The Bureau of Labor Statistics of the federal government has observed that average hourly earnings of manufacturing production workers rose from about 19 cents per hour in 1909 to a record-breaking high of \$3.01 per hour in 1968. This represents an increase of more than 1,584 percent over the 59-year period. Average weekly earnings also rose markedly in a monetary sense from about \$9.84 in 1909 to about \$122.51 in 1968. Percentagewise, the increase in weekly earnings—about 1,245 percent—was obviously not nearly so great as that in hourly earnings, owing to the fact that average working hours declined more than 20 percent over the period in question. It is also obvious from the data furnished by the U.S. Department of Labor that the average annual gains in monetary hourly and weekly earnings have been more pronounced since 1929 than they were between 1909 and 1929. Thus, hourly earnings of manufacturing production workers rose from 19 cents per hour in 1909 to about 56 cents per hour in 1929, or about 195 percent in 21 years. The percentage gain over the 39 years between 1929 and

1968, on the other hand, was roughly 532 percent. Money weekly earnings on average for manufacturing production employees climbed about 154 percent between 1909 and 1929 and then proceeded to rise by about 486 percent between 1929 and 1968. Relatively speaking, therefore, weekly earnings also rose somewhat more rapidly after 1929 than prior to 1929, in part because the decline in average weekly hours was relatively less pronounced between 1929 and 1968 than it was between 1909 and 1929.¹ (See Table 5-1.)

Table 5-1 New BLS wage series data, 1909-68 (manufacturing production workers in the United States)

Year	Average Hourly Earnings	Average Weekly Hours	Average Weekly Earnings
1909.....	\$0.193	51.0	\$ 9.84
1914.....	0.223	49.4	11.01
1919.....	0.477	46.3	22.08
1924.....	0.547	43.7	23.93
1929.....	0.566	44.2	25.03
1934.....	0.532	34.6	18.40
1939.....	0.633	37.7	23.86
1944.....	1.019	45.2	46.08
1949.....	1.401	39.2	54.92
1954.....	1.810	39.7	71.86
1959.....	2.19	40.3	88.26
1964.....	2.53	40.7	102.97
1968.....	3.01	40.7	122.51

Sources: Bureau of the Census, U.S. Department of Commerce, *Census of Manufactures* (Washington, D.C.: U.S. Government Printing Office, 1954); U.S. Department of Labor, *Monthly Labor Review*, July, 1955, and July, 1958; Counsel of Economic Advisers, *Economic Indicators* (Washington, D.C.: U.S. Government Printing Office, January, 1969).

Most, if not all, industrial nations have observed a long-run tendency for money wages to move upward at a rate considerably in excess of the rate of real-wage increases. As shown in Table 5-2, this relationship has certainly been in evidence in the United States. Thus, while the index of average monetary hourly rates for manufacturing production workers in 1968 was about 515 percent of the 1929 index, because of the advance in the cost of living over this period the index of *real* hourly rates of pay in

¹ The observation with respect to the decline in working hours since 1929 needs to be accepted with caution, since while nominal working hours were declining less rapidly between 1929 and 1957 than they did between 1909 and 1929, indirect cuts in working hours by way of paid vacations, paid holidays, and the like were much more in evidence in the period since 1929 than in the earlier period. This is treated in detail in the succeeding chapter.

Table 5-2 Trends in money and real hourly rates (manufacturing production workers)

	1947-49 = 100 Average Hourly Rates	1947-49 = 100 Cost of Living	1947-49 = 100 Average Real Hourly Rates
1929.....	42.5	73.3	57.9
1930.....	41.5	71.4	58.1
1931.....	38.7	65.0	59.5
1932.....	33.5	58.4	57.3
1933.....	33.2	55.3	60.0
1934.....	40.0	57.2	69.9
1935.....	41.3	58.7	70.3
1936.....	41.7	59.3	70.3
1937.....	46.9	61.4	76.3
1938.....	47.1	60.3	78.1
1939.....	47.5	59.4	79.9
1940.....	49.7	59.9	82.9
1941.....	54.8	62.9	87.1
1942.....	64.1	69.7	91.9
1943.....	72.2	74.0	98.6
1944.....	76.6	75.2	101.8
1945.....	76.9	76.9	100.0
1946.....	81.6	83.4	97.8
1947.....	93.0	95.5	97.3
1948.....	101.5	102.8	98.7
1949.....	105.3	101.8	103.4
1950.....	110.1	102.8	107.1
1951.....	119.5	111.0	107.6
1952.....	125.5	113.5	110.5
1953.....	133.0	114.4	116.2
1954.....	136.0	114.8	118.4
1955.....	141.3	114.5	123.4
1956.....	148.8	116.2	128.5
1957.....	155.9	120.2	129.7
1958.....	160.3	123.5	129.8
1959.....	167.0	124.6	134.0
1960.....	172.7	126.5	136.5
1961.....	177.4	127.8	138.8
1962.....	182.7	129.3	141.3
1963.....	187.8	131.0	143.3
1964.....	193.9	132.6	146.2
1965.....	199.5	134.8	147.9
1966.....	208.0	138.8	149.8
1967.....	216.3	142.8	151.4
1968.....	218.9	148.9	146.0

Sources: National Industrial Conference Board, *The Economic Almanac* (New York: Thomas Y. Crowell Co., 1956); Council of Economic Advisers, *Economic Indicators* (Washington, D.C.: U.S. Government Printing Office, July, 1961 and Mar. 1969).

1968 was only about 252 percent of that in 1929. A detailed discussion of some of the factors which may contribute to this long-run relationship between changes in money- and real-wage rates will be found in a later chapter. It is sufficient here merely to note that a surprisingly marked increase in real hourly rates of pay has been registered in the period in question. Since the average length of the work week also declined in this period, average *weekly* earnings on a real basis did not rise as much as did real *hourly* earnings.

It should not be too surprising to the student to learn that money wages tend to advance faster than real wages. In part, this reflects the political necessity felt by given union leaders to do as well by their constituents as rival union leaders have done or may be expected to do.² In the economic context the observed phenomenon is a simultaneous result of the lack of knowledge on the part of the two parties to the wage agreement as to what the real worth of labor is in a given situation and possibly a deliberate refusal on the part of union leaders to hold wage increases to those of man-hour productivity even when these may be known. Thus, the resulting inflationary impacts of monetary wage increases, in so far as they be present, may be due partially to the intense desire of both labor and management to secure a larger share of production for themselves than they have had in the past. Finally, the tendency for money wages to rise more rapidly than real wages stems from the atomistic manner in which many wage bargains in the United States are drawn, so that the need to act responsibly in so far as the total economy is concerned cannot seem too urgent to the bargaining parties. Even in nations where bargaining is nationwide and hence more inclusive than in the United States, it is virtually impossible to prevent money wages from rising more rapidly than real wages in periods of high-level economic activity. It may be simply too much to expect of individuals and organizations thereof that they exercise restraint in their economic demands during periods when they see a sellers' market developing.

WAGES AND NATIONAL INCOME

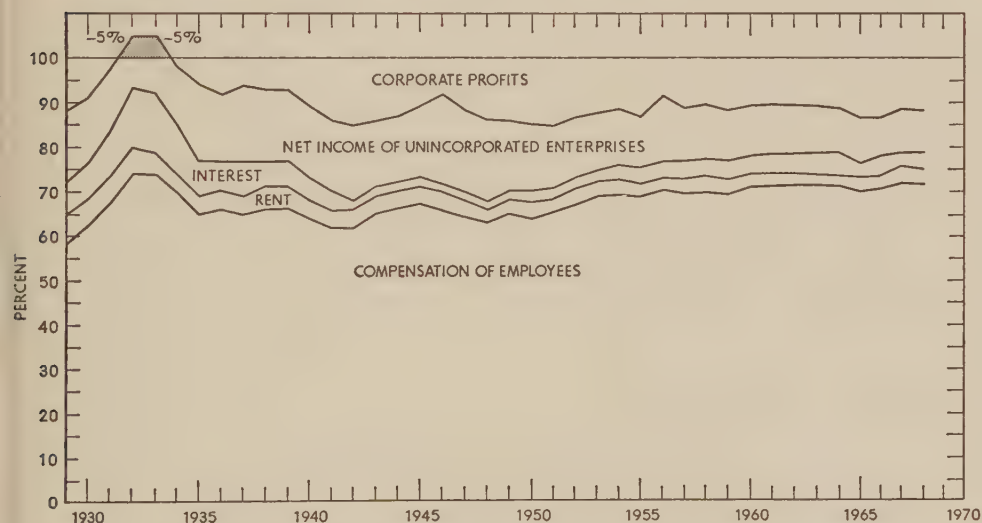
The relationship over time of employee compensation to other factor incomes and to national income as a whole is of interest. As may be seen in Figure 5-1, compensation of employees fluctuated over the period from 1929 to 1968 all the way from about 58 percent of national income in 1929 to about 73 percent of national income in 1932 and 1933.³ For the

² It should be noted, however, that inflation was a problem before unionism matured. In large measure, then, it may be attributable to the level of employment which prevails.

³ The term *compensation of employees* includes, in addition to wages, salaries, and commissions, the contributions of employers to social insurance programs.

big majority of the years in question, however, the ratio of employee compensation to national income has fluctuated within the narrow confines of 65 to 70 percent. The explanation for the unusually high level attained in 1932 and 1933, of course, is simply the fact that corporate profits and net income from unincorporated enterprises had dropped so much. Thus, it would have afforded little consolation for the wage and salary recipients to know that their incomes accounted for 73 percent of the national income in 1933 if they also realized that about a fourth of the labor force was unemployed in 1933 and national income itself was less than half as large in monetary terms as it had been in 1929. Compensation of employees has tended to rise gradually since 1950 from about 64 percent in that year to about 72.1 percent in 1968, although a

Figure 5-1 Factor incomes as percentage of national income



slight downturn was experienced in 1955. Whether this represents the beginning of a long-run upward adjustment in the ratio of wages to national income or just a short-run variation remains to be seen. Comparing the ratios of factor incomes to national income for 1929 with those of 1968 discloses that employee compensation rose from 58 to 72.1 percent, rent declined from 7 to 2.9 percent, interest fell from 7 to 3.7 percent, net income from unincorporated enterprise dropped from 16 to 8.8 percent, and corporate profits rose slightly from 12 to 12.5 percent. Hence, compensation of employees gained between 1929 and 1968 at the expense of all other factor incomes, but notably at the expense of interest, rent, and net income from unincorporated enterprise. The most significant factor,

however, is the relative constancy of the ratio of employee compensation to national income—especially since 1934.

SHIFTS IN WAGE STRUCTURE DIFFERENTIALS

As the nation has continued to advance and to mature industrially, some notable shifts have occurred with respect to differentials in the wage structure. In general, percentage wage-rate differentials tend to narrow during periods of inflation as a result of the quite common practice of giving across-the-board, cents-per-hour wage increases of a flat amount to all grades of workers during such periods. In recent years, this tendency may also reflect, in part, the rise of the institution of industrial unionism relative to craft unionism, since the former type of labor organization would be more apt to welcome a narrowing of such wage differentials than would the craft union.

Many other factors are undoubtedly responsible for shifts in wage differentials within a nation's wage structure and would include those of general inflationary trends, changes in the levels of demand and/or supply schedules with respect to various grades of labor, changes in union/management policies and strategies in collective bargaining, the advent and alteration of governmental wage-rate controls, and the shifting relative importance of various types of industries.

Wage structure differentials which will be considered in succeeding pages are (1) occupational differentials, (2) interindustry differentials, (3) geographic differentials, and (4) age, sex, and race differentials.

Occupational Differentials

Among the twentieth-century trends in occupational differentials which are noteworthy have been the trends with respect to earnings differentials as between white-collar and manual employees. Studies have tended to show that for the fifty-year period from 1890 to 1939, these differentials declined in the United States, with manual workers on average gaining ground on white-collar employees.⁴ The result was that by 1939 the typical white-collar employee received on average only about 38 percent more pay per year than the average manual laborer. One reason advanced by Mr. McCaffree in explaining this phenomenon is the fact that increasingly during this period, high school graduates and female employees were taking over white-collar employments. The white-collar/manual-worker wage differential continued to shrink even more rapidly from 1939 until the end of World War II as production workers became extremely scarce in relation to the demand for them by

⁴ K. M. McCaffree, "The Earnings Differential between White Collar and Manual Occupations," *Review of Economics and Statistics*, February, 1953, pp. 20-30.

wartime industry. In the interval since the end of World War II, white-collar employees may have just about held their own, but it is probable that they have not recovered the ground lost during the previous years of this century. Hence, this would lead to the tentative conclusion that the shift in the differential may be of a permanent nature, more or less, rather than merely a lag in wage adjustment.

When comparisons shift from the general level to more specific levels, it is easy to find blue collar workers who have exceeded the earnings level of the average white-collar employee. For example, Professors Reynolds and Taft have recently concluded that perhaps most skilled workers as well as a substantial proportion of semi-skilled workers have achieved earnings levels which exceed those of the average white-collar worker.⁵ Many writers in this area have observed that fringe benefits such as paid vacations, paid holidays, group insurance, and pension plans, which were once provided only for executives and some white-collar employees, have now been extended to manual workers as well, especially in the larger employing units. It should be noted, however, that the extension of fringe benefits to manual workers, per se, may not represent a narrowing of the wage differential between white-collar and manual employees. This may merely mean that the composition of manual workers' wages as between direct and indirect pay has become more like that of the white-collar employee. Nevertheless, even the change in wage composition may tend to add a little more dignity and desirability to the manual job than was its lot in earlier periods, thus indirectly narrowing psychological and sociological differentiations between white-collar and manual employments. The increased use of technology in the office as well as on the assembly line has meant increasing similarities between white-collar and manual employments.

One of the pronounced trends in occupational pay differentials in the United States and other maturing industrial nations during this century has been the gradual narrowing of the average wage differential between skilled and unskilled workers. In this connection, Professor Ober's study of occupational pay differentials from 1907 to 1947 discloses that the average skilled worker's wage amounted to about 205 percent of the average unskilled worker's wage in 1907, whereas the ratio had dropped to only 155 percent as of 1945-47.⁶ As of 1955, the ratio had fallen still further to about 135 percent, where it tended to remain through 1959.⁷ It is noteworthy that the differential shrank proportionately more rapidly in the period from 1931 to 1955 than was the case between 1907 and 1931.

⁵ L. G. Reynolds and C. H. Taft, *The Evolution of Wage Structure* (New Haven: Yale University Press, 1956), p. 320.

⁶ Harry Ober, "Occupational Wage Differentials, 1907-1947," *Monthly Labor Review*, August, 1948, pp. 127-34.

⁷ *U.S. News & World Report*, October 14, 1955.

In the earlier period the ratio dropped from 205 percent to 180 percent, or about 12 percent in 25 years; in the latter period the ratio shrank from 180 percent to 135 percent, or about 25 percent in a similar 25-year period. Both periods contained a major international military engagement, but the impact of World War II upon income and employment was obviously more pronounced than that of World War I. The fact that the post-World War II period not only followed a major war effort but also a decade of depression probably contributed further to the size of the economic impact upon employment and income. Possibly another factor which may have had some bearing upon the magnitude of the shrinkage in the ratio after 1931 was the coming to maturity of industrial unionism, although just what the influence of this institutional development was on skill differentials in wages is very hard to determine. Some have contended, for example, that unionism is neutral with respect to influence upon skill differentials.⁸ Thus, Professors Goldner, C. Kerr, and others have contended that such factors as the shrinkage in the relative importance of durable goods manufacturing employments have been much more potent with respect to influence upon skill differentials than institutional or "power" factors. It is true, however, that between 1935 and 1955 the balance of power, membershipwise, in this nation's union movement shifted from craft unions to industrial unions.

Some students of the above phenomenon have theorized that the behavior of skilled/unskilled pay differentials is likely to follow a relatively common pattern as nations industrialize. As a nation begins to industrialize, this pay differential is apt to be wide and widening due to the scarcity of skilled personnel, the long training period required to develop skilled workmen, and the preponderance of agricultural and nondurable goods manufacturing employments. A conditioning factor, too, may be the fact that labor organization begins typically at the skilled level; and as craft unions become securely established, their adroit use of monopoly power in the labor market may augment other factors making for widening pay differentials. As the nation matures industrially, several developments eventually operate to shrink the pay differentials. In the United States, for example, such developments probably included the following: the gradual building of a sizable corps of skilled workers; the restriction of immigration; the extension of educational opportunities to greater numbers; the watering-down of skills by the increased use of technology and the concomitant mechanization of many unskilled jobs; the existence of long periods of high-level employment; the advent and development of industrial unionism; and, finally, the simultaneous relative decline in agricultural and nondurable goods manufacturing employments and the relative increase in durable goods manufacturing

⁸ William Goldner, *Labor Market Factors and Skill Differentials in Wage Rates* (Berkeley: Institute of Industrial Relations, University of California, 1958), p. 8.

employments. After the narrowing process has progressed for a time, it is possible that a plateau may be reached, as may have been the case in the United States after 1955. Whether the narrowing process may then resume its course at a later date, or perhaps reverse itself, is open to conjecture and is possibly dependent upon developments in both the economic and the institutional factors noted above, with probably greater influence being exerted by the economic factors. Institutionally speaking, increasing demands have come from craft unions since 1955 that pay differentials should be widened. These demands have been heeded in such contracts as the auto contracts of 1967, for example. Furthermore, beginning with 1967, the craft units of the U.A.W. were given the power to veto ratification of the negotiated contract. Prior to 1967, a majority vote of all workers was sufficient to approve a contract. Other instances of widening pay differentials have been reported in several industries since 1960.

Economically speaking, the narrowing process in skill differentials would not be expected to continue until the gap is completely removed so long as skilled employments require more training and/or more ability than unskilled and semiskilled employments. It should further be noted that cultural factors such as custom and inertia quite possibly operate to retard movements in pay differentials which the purely economic factors would seem to demand. Firms utilizing job evaluation almost universally report problems associated with the influence of custom and inertia.

With respect to the relationship between average wage rates of all three layers of production workers, Professor Ober found that in the period 1945–47, workers in skilled occupations requiring an extensive learning period earned 55 percent more on average than workers in light unskilled jobs; semiskilled occupations involving some judgment and considerable experience commanded average pay rates which were about 35 percent in excess of those for light unskilled jobs; and repetitive semiskilled work which required little training or experience registered average wage rates which were about 15 percent in excess of those for light unskilled employments. Heavy unskilled jobs also were found to be paying about 15 percent more, on average, than the light unskilled jobs. It is probable that the differentials in pay between these various categories declined further between 1947 and 1955.⁹

A comparison of median *annual* earnings of production workers by the Bureau of the Census for 1965 discloses quite different results for full-time workers as contrasted with *all* workers.¹⁰ Thus, median annual earnings for *full-time* workers in 1965 were \$6,583 for craftsmen, \$5,782

⁹ Ober, *op. cit.*

¹⁰ Bureau of the Census, U.S. Department of Commerce, *Statistical Abstract of the United States* (85th ed.; Washington, D.C.: U.S. Government Printing Office, 1968), p. 240.

for operatives, and \$4,651 for laborers except farm and mine. Hence, skilled workers' earnings were 41.5 percent above those of the unskilled and 13.8 percent above those of the semiskilled. On the other hand, when median annual earnings for *all* workers are compared, craftsmen received \$6,270, operatives received \$5,046, and laborers except farm and mine received only \$2,410. Hence, when all workers were compared, skilled workers' earnings were 160.1 percent more than the unskilled workers' earnings and 24.2 percent above those of the semiskilled workers. The high degree of part-time and casual labor at the unskilled level is noteworthy in this comparison.

Ober found in 1945-47, as did Kanninen in 1952-53, that skilled/unskilled pay differentials varied considerably in different sections of the United States.¹¹ Thus, the median percentage by which skilled wage rates exceeded unskilled wage rates was found to be about 70 in the South, 55 in the Northeast, and 45 on the Pacific Coast. The fact that the spread was widest in the least industrialized area, the South, lends some credence to the aforementioned theoretical explanation of trends in skilled/unskilled pay differentials. Agricultural and nondurable goods manufacturing employment would also be more important relatively in the South than in most other areas. It might be noted, in addition, that both Ober and Kanninen found earnings of *skilled* workers in the South to compare favorably with pay of similar workers in other sections, but the earnings of the unskilled laborers were found to be substantially lower in the South than in other regions. In addition to the relative infancy of industrialization in the South, it may be noted that industrial unionism has been developed much less in the South than elsewhere and also that racial problems plus the relative surplus of unskilled workers exist to greater degrees in the South than elsewhere. In other words, since the South occupies a point in its industrial growth which may have been reached by the Northeast and the Pacific Coast some decades back, one would expect to find the skilled/unskilled pay spread corresponding somewhat with what it was in the Northeast and the Pacific Coast some decades back—say, in the 1920's. Continuing industrialization, training, education, and organizational growth in the South, in addition to regional migratory movements of workers and industries, should eventually produce pay differentials more closely aligned with those in the sections of the nation which were first affected by industrialization. It should be noted, however, that the process of reducing wage differentials which have been in existence for any length of time is a very slow one. It is true that both labor and capital movements between the South and the rest of the country are taking place and they hold a promise for the eventual narrowing of pay differentials, but, on the other hand, over the

¹¹ Toivo P. Kanninen, "Occupational Wage Relationships in Manufacturing, 1952-53," *Monthly Labor Review*, November, 1953, pp. 1171-78.

first sixty years of this century little change apparently took place in the general differential in wages between the South and the rest of the nation.¹² Thus, in the period from 1962 to 1966, average hourly earnings in the South exceeded those in the rest of the nation in only three industries out of twenty-six—synthetic fibers; pulp, paper and paper board; and industrial chemicals. Southern wage rates in the other twenty-three industries ranged all the way from 2 percent below in cigars to 38.6 percent below the rest of the nation in meat packing, while the differential for all manufacturing industries was a minus 22 percent.

Interindustry Differentials

At any given time, wage rates will be found to differ among the various industries and industrial categories of an economy. Included with the typical interindustry wage differentials which exist in a society are those between agricultural and nonagricultural rates of pay. In the United States, average hourly earnings of farm workers tend to be considerably lower than those of manufacturing production employees. In 1929, hourly earnings of hired farm workers were about 42 percent of average hourly earnings of manufacturing production workers and about 61 percent of the average hourly rate of common labor in road building.¹³ As of 1935, the ratios just referred to had dropped to a low point of 25 and 33 percent, respectively. By 1954, some recovery had been registered by average hourly earnings of farm workers, when their earnings were about 37 percent of average manufacturing wage rates and 43 percent of those of common labor in road building. By 1966 some further slight recovery was achieved by farm wage rates with the ratio between them and the rates of pay for manufacturing production workers standing at about 37.8 percent. It should be noted that one factor helping to explain relatively low wage rates of hired farm labor is that a disproportionate share of such labor is supplied by Mexicans and Negroes. It is noteworthy that despite the recovery of farm pay between 1935 and 1966, it was lower in 1966 in its relationship to the pay of factory workers and road workers than it had been in 1929. Obvious also is the fact that average hourly farm earnings lost more ground with respect to average hourly wage rates of factory workers. It is clear, in addition, that farm wage rates exhibited a greater degree of flexibility downward during the depression phase of the business cycle than did the wage rates within manufacturing and road building. Between 1929 and 1932, farm wages declined by about 50 percent, while urban wage rates fell by less than 20

¹² H. M. Douty, "Wage Differentials: Forces and Counterforces," *Monthly Labor Review*, March, 1968, pp. 74-81.

¹³ Reynolds and Taft, *op. cit.*, pp. 327-39.

percent. Similar divergent movements can be found during the same period as regards farm and nonfarm prices.

Reynolds and Taft cite the following factors in their explanation of wage differentials between agricultural and nonagricultural industries.¹⁴ First, rural birth rates are relatively high in contrast to urban birth rates, thereby accounting for a rapid rate of increase in the supply of farm manpower. Secondly, the domestic demand for farm production has risen at a relatively slow rate which is highly dependent upon the rate of population growth. Therefore, combining these factors leads to the conclusion that an excess of farm population tends to accumulate and this in turn affects the earnings of farm owners and farm workers alike. A narrowing of farm/urban wage differentials will not occur on a specu-

Table 5-3 Trends in industrial earnings (average weekly earnings of production workers or nonsupervisory white-collar employees)

Industry Category	1948	Rank	1966	Rank	1966 As % of 1948	
					1948	Rank
Mining (bitum. coal)	\$72.12	1	148.44	1	205.8	4
Contract construction	68.25	2	145.89	2	214.7	2
Manufacturing	54.14	5	112.34	4	207.5	3
Transportation (Class I RRs.)	59.27	3	135.65	3	228.9	1
Trade (wholesale)	55.58	4	111.38	5	200.3	5
Finance (banks)	41.51	6	82.21	6	198.5	6
Service (hotels)	31.41	7	53.34	7	169.8	7

Source: *Monthly Labor Review*, Vol. 70, No. 1, January, 1950, and Vol. 91, No. 3, March, 1968.

lar scale unless high enough levels of employment can be maintained in urban areas to induce further and rapid migration of farm workers to urban employments and, in the meantime, provided that the federal farm program is not so liberal as to block said migration. It should be pointed out that *rapid* outmigration of farm personnel cannot continue for many more years since the farm population is already a very small proportion of the nation's total population.

In analyzing wage differentials among the major industrial categories, it becomes evident that a considerable degree of stability has been in evidence in so far as the differentials are concerned. There has been a tendency, however, for overall differentials to widen somewhat since World War II. In 1948 the highest average weekly earnings—that in bituminous coal mining—was about 229.6 percent of the lowest average

¹⁴ *Ibid.*

registered in the category of hotels. By contrast, the highest average weekly earnings in 1966—that in bituminous coal mining—was about 278.2 percent of the lowest average registered in the category of hotels, the same lowest category for 1948 as well. Some relative shifts in rank occurred between 1948 and 1966 with manufacturing moving to a higher rank and wholesale trade dropping to a lower rank while the remaining categories kept their same ranks. In considering the industrial category which moved up in rank between 1948 and 1966—manufacturing—as well as the first three in the ranking as of 1966—bituminous coal, contract construction, and railways—it is obvious that all four categories are characterized by a high degree of unionization. The remaining three categories, on the other hand, are characterized by a lack of labor organization. While other factors may have been a factor in explaining the rankings, it is highly possible that union power may have been more important.

Some studies purport to show that union influence on wage differentials has been less potent than other forces within the various labor and commodity markets.¹⁵ It is extremely difficult to determine just what the union impact has been with respect to wage differentials. It is probably safest to conclude that the influence has not been so great as contended by union spokesmen nor as insignificant as inferred by others who see unions solely as neutral media through which market forces operate in the determination of wages. One thing is certain: The economy cannot retrace its steps without labor organizations to see what would have happened in their absence between 1948 and 1962.

As may be seen in Table 5-4, the differential between the average wage rates of nondurable goods manufacturing employees and those of durable goods manufacturing workers declined slightly as wage rates for nondurable manufacturing rose more, percentage-wise, between 1939 and 1966 than did those of workers in durable goods manufacturing. In 1939, average hourly earnings of durable goods manufacturing workers were about 121 percent of the average hourly earnings of workers in nondurable goods industries. By 1966, this percentage had declined to about 118.4 percent. Likewise, the overall spread between the lowest and highest average hourly rates declined somewhat between 1939 and 1966. Thus, in 1939 the highest average hourly rate—that in construction—was more than 2.9 times as great as the lowest average hourly rate in year-round hotels; in 1966 the highest average hourly rate—that in

¹⁵ J. Garbarino, "A Theory of Inter-Industry Wage Structure Variation," *Quarterly Journal of Economics*, May, 1950, pp. 283-305; A. M. Ross and W. Goldner, "Forces Affecting the Inter-Industry Wage Structure Variation," *Quarterly Journal of Economics*, May, 1950, pp. 254-81; and Albert E. Rees, "The Economic Impact of Collective Bargaining in the Steel and Coal Industries during the Postwar Period," *Proceedings of Third Annual Meeting of Industrial Relations Research Association*, 1950, Publication No. 6 (Madison, Wis., 1951), pp. 203-13.

Table 5-4 Trends in industrial wage differentials, 1939 to 1966

<i>Industry</i>	<i>Average Hourly Rates, 1939</i>	<i>Rank, 1939</i>	<i>Average Hourly Rates, 1966</i>	<i>Rank, 1966</i>	<i>Percent Increase 1939-66</i>
Manufacturing:					
Total.....	\$0.63	8	2.27	8	431.7
Durable goods.....	0.70	7	2.90	5	414.3
Nondurable goods.....	0.58	9	2.45	9	422.5
Mining:					
Metal.....	0.71	4	3.17	3	446.5
Bituminous coal.....	0.89	2	3.65	2	410.1
Contract construction:					
Building construction.....	0.93	1	3.76	1	404.3
Trade:					
Wholesale.....	0.71	4	2.73	7	384.5
Retail: general merchandise.....	0.45	11	1.91	10	424.4
Transportation and public utilities:					
Class I railroads.....	0.71	4	3.09	4	435.2
Telephone.....	0.82	3	2.79	6	340.2
Service:					
Hotels, year-round.....	0.32	12	1.43	12	446.9
Cleaning and dyeing.....	0.49	10	1.60	11	326.5

Sources: Bureau of Labor Statistics, U.S. Department of Labor, *Handbook of Labor Statistics* (Washington, D.C.: U.S. Government Printing Office, 1948); and *Monthly Labor Review*, March, 1968.

building construction—was only about 2.6 times as high as the lowest average rate, found once more in year-round hotels.

Geographic Differentials

When differentials in earnings are viewed geographically, perhaps it is natural to think first of all of the North/South wage differentials. Actually, geographic differentials are much more complex than the North/South contrasts would indicate. In general, it may be noted that urban wage levels are probably highest on the Pacific Coast, lowest in the South, and about midway between these extremes in the Northeast and Midwest. Thus, Reynolds and Taft note that: "If forced to summarize, one could say that the urban wage level in the South averages out at something like 15 percent under the Northeast, while the Pacific Coast is perhaps 15 percent above the Northeast."¹⁶

A closer inspection of the large geographic sections just noted, however, soon gives evidence as well of rather substantial wage-rate differentials *within* these sections. For example, wage rates on the Pacific Coast tend to be at their maximum in the northern part of this region and at

¹⁶ Reynolds and Taft, *op. cit.*, p. 340.

their low point near the Mexican border in the southern segment of this region. Similarly, within all geographic regions, there are noticeable differentials between average wage rates in the large cities and those in the small towns, with the former being considerably above the latter.

Geographic wage differentials have tended to decline slightly, as may be discerned in Table 5-5. Furthermore, regional differentials tend to be widest at the bottom of the occupational ladder—among unskilled laborers—while the differentials are least pronounced at the skilled level. As may be seen in Table 5-5, whereas the highest average wage rate in 1951 (\$1.94 in Oregon) was 188.3 percent greater than the lowest rate (\$1.03

Table 5-5 Average wage rates of production workers in manufacturing industries for selected states and regions

	1951	Rank	1966	Rank	Percentage Increase 1951-66
United States	1.59		2.71		70.5%
Northeast (seven-state av.):	1.63	12.4	2.80	13.1	71.7%
Connecticut.....	1.58	12	2.82	13	78.5%*
Massachusetts.....	1.50	17	2.57	18	71.3%*
Michigan.....	1.86	3	3.35	1	80.1%*
New York.....	1.63	9	2.77	15	69.9%
Ohio.....	1.83	4	3.10	5	69.4%
Pennsylvania.....	1.59	11	2.72	16	71.1%*
Rhode Island.....	1.40	18	2.27	24	62.2%
Midwest (seven-state av.):	1.51	15.3	2.27	14.6	80.1%
Illinois.....	1.67	8	2.95	8	76.7%*
Indiana.....	1.71	7	3.02	7	76.6%*
Iowa.....	1.55	14	2.91	10	87.8%*
Minnesota.....	1.55	14	2.80	14	80.7%*
Nebraska.....	1.38	20	2.47	21	78.9%*
North Dakota.....	1.33	23	2.48	20	86.5%*
South Dakota.....	1.35	21	2.42	22	79.3%*
West (seven-state average):	1.73	7.3	3.06	6.7	76.9%
Arizona.....	1.60	10	2.85	12	78.1%*
California.....	1.77	6	3.16	4	78.5%*
Colorado.....	1.55	14	2.87	11	85.2%*
Nevada.....	1.79	5	3.28	2	83.2%*
Oregon.....	1.94	1	3.05	6	57.2%
Utah.....	1.57	13	2.94	9	87.3%*
Washington.....	1.87	2	3.25	3	73.8%*
South (seven-state average):	1.25	24.3	2.26	23.4	80.8%
Alabama.....	1.27	25	2.31	23	81.9%*
Florida.....	1.17	27	2.26	25	93.2%*
Louisiana.....	1.34	22	2.67	17	99.3%*
Mississippi.....	1.03	28	1.90	28	84.4%*
South Carolina.....	1.19	26	1.96	27	64.7%
Tennessee.....	1.29	24	2.16	26	67.4%
Texas.....	1.48	18	2.57	18	73.7%*

* States in which rate of increase exceeded national average.

Source: U.S. Department of Labor, *Employment and Earnings Statistics for States and Areas 1939-66*, Bulletin No. 1370-4, July, 1967.

in Mississippi), in 1966 the highest average wage rate (\$3.35 in Michigan) was only 176.3 percent greater than the lowest rate (\$1.90 in Mississippi). It is noteworthy, too, that in both 1951 and 1966, those states with average hourly rates above the national norm tend to be states characterized by above average unionization of the nonagricultural labor force. The higher percentage increases between 1951 and 1966, which tend to be concentrated in the lower-wage states, probably reflect two things at least: the fact that these states started from a lower base in 1951 and the fact that many of these states have stepped up their progress toward becoming industrialized since World War II.

Possible union influence in narrowing the North/South wage differentials may be detected in the fact that nonunion industries in the two regions tend to register greater wage-rate differentials than do the unionized industries. Also, it is fairly obvious that geographic differentials tend to be greatest within the low-wage industries, where wages have always accounted for a large percentage of total production costs and where downward pressures upon wages have always been severe. Since the South has more surplus unskilled labor than the Northeast, wage rates tend to be pushed to a lower point in the low-wage industries of the South than in those of the Northeast. On the other hand, skilled labor is relatively scarce in all regions; and consequently, the high-wage hard goods industries display smaller wage differentials on a regional basis. It may be noted, too, that skilled workers have been tightly organized for a longer period of time than have unskilled laborers. The racial problem, which may be one of the factors accounting for the North/South differential in unskilled wage rates, is of much less importance at the skilled level—partly because very small percentages of skilled workers in the South (or in any other region, for that matter) are Negroes, while very large percentages of unskilled workers are Negroes.

Factors other than racial elements and the degree of unionization which may account for regional wage differentials would include the following: the relative prominence of agricultural employments, the relative prominence of low-skilled occupations, the relative prominence of smaller average-size cities, the differences in birth rates which may exist, and the different ratios of human labor to capital equipment existing in the several regions.

Reynolds and Taft have pointed out that the North/South wage differential for manufacturing occupations was considerably narrower in 1945–46 than in 1931–32, but about the same as in 1919, while the wage-rate advantage of the Pacific Coast workers over the rest of the country has not changed much since 1919, although it did decline markedly between 1907 and 1919.¹⁷ On the other hand, the North/South

¹⁷ *Ibid.*, pp. 342–43.

differential with respect to farm wage rates was found to have grown somewhat over the passage of time, while the same regional differential within the textile industry declined greatly from 1890 to 1944—partly because of the rapid expansion of southern textiles, the relative decline of northern textiles, the spread of minimum-wage laws and collective bargaining, and the migration of persons and industries.

It may be said generally that the trends in regional wage differentials have been considerably mixed, while the sundry factors giving rise to them are extremely difficult to single out and measure. Furthermore, as many writers have noted, the differentials are often greater than can be accounted for merely by economic analysis. For example, Reynolds and Taft found that wage differentials which exist between the urban and small-town worker do not merely reflect differences in living costs, since the urban worker typically is found to possess not only a higher money wage but also a higher real wage than his small-town counterpart. Reynolds and Taft therefore conclude that probably the true explanation of substantial geographic wage differentials may consist of (1) regional differences in population pressure and (2) regional variations in the value productivity of agricultural labor.

Age, Sex, and Race Differentials

Most studies of wage differentials note differentials which exist between young and old workers, between female and male workers, and between nonwhite and white workers. While some of these differentials may reflect either current or past discrimination against nonwhites, females, and young employees, the major portion of each of these differentials can probably be accounted for in economic terms. Thus, there is a tendency for young persons, female workers, and nonwhite workers to be concentrated in relatively low-paying occupations largely owing to the fact that they generally possess inferior skill, training, and experience when compared with more mature workers, male workers, and white workers, respectively. As a result, the last-named groups tend to be concentrated to a greater degree in the relatively high-paying occupational categories.

In discussing age differentials as to earnings, one study points out that "the low earnings of young workers reflect not only their lack of skill and experience but also their higher rate of job turnover. At the other end of the age span, earnings tend to taper off somewhat because diminished speed and vitality lower the efficiency and employability of older people and disability increasingly deprives them of working days."¹⁸

Wage differentials between female and male workers are still substan-

¹⁸ W. S. Woytinsky and Associates, *Employment and Wages in the United States* (New York: Twentieth Century Fund, 1953), p. 444.

tial in most industrial nations, with average earnings of female workers amounting to about 60 percent of average male worker earnings in the typical industrial economy. In the United States, sex differentials have been about as prominent since the end of World War II as they were in the 1930's. Thus, as of 1965 the median earnings in this country for all women who were year-round full-time workers were \$3,828 in contrast to median earnings for men of \$6,388; hence, the median for women was almost 60 percent of the male median or about where it has been for several decades.¹⁹ Probably more important factors than out-and-out discrimination against women by employers have been the greater restrictions present with respect to occupations open to women and the greater discontinuity of female employment. This does not mean, however, that the factor of cultural discrimination in employment against women, which is a heritage from days when woman's proper role was thought of as being in the home, can be lightly brushed aside. There is still a great deal of evidence that traditional views concerning the proper role of women in the society operate to some extent in the fixing of sex wage differentials.

Negro and other nonwhite workers gained some ground on their white counterparts during the World War II years of tight labor markets, when many jobs were opened to nonwhite workers which had formerly been closed to them. Average annual family income for Negroes in 1945 was 57 percent of that for white families; by 1961 the percentage had dropped to 53.4 percent. Thus, some of the wartime progress has since been lost by nonwhite workers, but it is probably safe to say that racial wage differentials are somewhat less pronounced than in the prewar period.

Studies of the *median* incomes for white and nonwhite families by the Bureau of the Census have produced some interesting post-World War II comparisons. Thus, in 1947 the median white family income was \$3,157 while that of nonwhite families was \$1,614 or about 51.1 percent of the white family median. By 1955, the median income for nonwhite families had risen to \$2,549 or about 55.5 percent of that for white families which had reached \$4,605. Very little improvement occurred in the next five

¹⁹ Vera C. Perella, "Women and the Labor Force," *Monthly Labor Review*, February, 1968, pp. 1-12. However, as of 1962 the average weekly earnings in this country for female factory employees were \$51.20 for a forty-hour week as compared with male weekly earnings of \$72.00. Thus, in factory employment women's earnings were about 71 percent of male earnings on average according to the Department of Labor. A recent study purports to show that, after adjustments are made for occupational distribution, hours of work, education, age, urbanness, race, male-female turnover differences, and differences in absenteeism and work experience as between men and women, median incomes for women may be as high as 87 percent of those for men, thus leaving only a 13 percent "discrimination" differential, perhaps. See Henry Sanborn, "Pay Differences Between Men and Women," *Industrial and Labor Relations Review*, July, 1964, pp. 534-550.

years as the median nonwhite income in 1960 (\$3,233) was about 55.4 percent of that for white families (\$5,835). Much of this five-year period was characterized by mild economic recession in which nonwhite economic fortunes always suffer more than those of their white counterparts. On the other hand, by 1967 the median nonwhite family income (\$5,141) was about 62.1 percent of that for white families (\$8,274). It would be gratifying to be able to conclude that this rather substantial progress was attributable to federal fair employment legislation of 1964 and perhaps some of it was. However, it should also be noted that full employment characterized the national economy from 1965 on and it is probable that this accounted for much of the progress noted.²⁰

Again, as in the case of female workers, restriction of occupational opportunities in so far as Negro workers are concerned is probably a more important immediate cause of racial differentials than current discriminatory treatment by employers. It may be noted, however, that the occupational restrictions are, in part, due to past years of racial discrimination in so far as quality of schooling, training, and experience are concerned. It should also be noted that racial wage differentials are not confined to the South.

In summing up the major trends in wage structure within the United States, several conclusions stand out. First, it is apparent that geographical, industrial, occupational, and racial wage differentials have been materially reduced in recent decades. Nevertheless, wage differentials of every kind are more pronounced in the United States than in other industrial nations, such as those of Europe. Reynolds and Taft are of the opinion that this is so because of the larger geographical area represented by this nation, because of the uneven development of union organization in this country, and because of a minimum amount of governmental intervention in the wage area in this country. "United States wage structure reflects the turbulence of a market economy as yet only partially harnessed by collective bargaining and other types of deliberate control."²¹

Other writers have noted that the pattern of economic inequality found in a given society cannot alter markedly within a short period of time unless the social and economic structure of the society first experiences a radical transformation.²² It should be pointed out, however, that such changes are possible and, in addition, are probably in progress in one direction or the other in every society at each stage of its development. Thus, at the end of the nineteenth century, it is probable that the contrast between the rich and poor in this nation was on the increase;

²⁰ See *Pocket Data Book, USA 1969*, William Lerner, Supervisor, Bureau of the Census, U.S. Department of Commerce, January, 1969, p. 199.

²¹ Reynolds and Taft, *op. cit.*, p. 351.

²² Woytinsky and Associates, *op. cit.*, chap. xli.

since 1900 the general trend has been toward greater economic equality, a process accelerated possibly by two major wars, the Great Depression, and more progressive types of taxation.

CHANGES IN WAGE COMPOSITION

Throughout the period since World War I, and especially since 1941 and World War II, there has evolved an impressive shift in the composition of wages as between direct take-home pay, on one hand, and indirect or deferred pay, on the other hand. The shift, of course, has been toward greater emphasis, relatively speaking, upon the indirect or deferred type of wage which does not flow to the worker unless and until some stipulated type of contingency, such as injury or retirement, presents itself with respect to the worker. The phrase *fringe benefits* has come to be used to include most elements of deferred or indirect pay which have been developed in the past forty years. Included within the scope of meaning of the phrase *fringe benefits* are such diverse indirect wages as group insurance plans of all types, paid vacations and holidays, private industrial pensions and profit-sharing arrangements, paid rest periods, and the various legally imposed fringe items such as workmen's compensation, unemployment compensation, and old-age and survivors' insurance.

Developments in emphasis upon fringe benefits have been especially pronounced since the end of World War II. Between 1954 and 1964, average employee's pay per hour for time worked went up 37 percent, while pay in the form of sundry fringe items rose by 100 percent.²³ New fringes were added to the list in this decade while older fringes were being broadened while becoming nearly universal in this nation's labor agreements.

The trend in *supplements to wages and salaries*, as depicted in Table 5-6 for the period 1929-65, was one of gradual increase until the 1930's, after which a spectacular increase occurred. Thus, for all private industries, supplements to wages and salaries amounted to only 1.1 percent of total wages and salaries in 1929 and only 1.4 percent thereof in 1935; but they amounted to 4.8 percent as of 1940 and 8.8 percent by 1965. It is also obvious that the most sizable changes occurred in the categories of mining, communication and public utilities, manufacturing, and finance, insurance, and real estate. By contrast, relatively minor shifts occurred in the categories of agriculture and services. During the same period—1929-65—absolute values of supplements to wages and salaries rose from \$662 million in 1929 to over 34.5 billion in 1965.

In Table 5-7 and Figure 5-2 are summarized results obtained by

²³ *U.S. News & World Report*, September 14, 1964, p. 81.

Table 5-6 Supplements to wages and salaries, 1929-65

<i>Item</i>	1929	1935	1940	1945	1950	1955	1960	1965
<i>In Millions of Dollars</i>								
Total supplements to wages and salaries....	662	650	2,311	5,604	7,799	12,950	22,378	34,541
Employer contributions for social insurance....	101	171	1,624	3,805	3,976	5,814	11,487	16,002
Old-age and survivors insurance.....	...	...	329	630	1,308	2,825	5,671	8,219
State unemployment insurance.....	...	7	813	1,011	1,217	1,221	2,344	3,051
Federal unemployment tax.....	...	...	98	174	232	304	358	570
Railroad retirement insurance.....	...	...	67	140	282	308	295	326
Railroad unemployment insurance.....	...	...	67	130	24	25	165	149
Federal civilian employee retirement systems....	21	32	93	227	316	144	838	1,158
State and local employee retirement systems....	72	127	155	225	510	900	1,800	2,510
Cash sickness compensation funds.....	...	...	...	...	7	5	7	10
Government Life Insurance.....	8	5	2	1,268	80	82	9	9
Other labor income.....	561	479	687	1,799	3,823	7,136	10,891	18,539
Employer contributions to private pension and welfare funds.....	169	180	282	1,132	2,743	5,523	8,454	15,392
Other items.....	392	299	405	667	1,080	1,613	2,437	3,147

Total Supplements as Percent of Wages and Salaries

All industries.....	1.3	1.8	4.6	4.8	5.3	6.1	7.6	8.8
Agriculture, forestry, and fisheries.....	0.4	0.5	0.6	0.4	0.6	1.8	2.8	4.6
Mining.....	1.6	1.7	5.7	4.1	8.9	10.4	10.2	10.4
Contract construction.....	2.3	3.4	6.6	5.3	5.0	5.3	6.7	8.1
Manufacturing.....	0.9	1.2	5.2	5.1	6.4	7.9	9.3	11.2
Wholesale and retail trade.....	0.6	0.8	3.9	3.4	3.7	4.0	5.2	6.2
Finance, insurance, and real estate.....	2.4	2.6	6.0	5.1	6.1	8.3	9.2	11.0
Transportation.....	2.0	2.7	6.2	6.0	6.3	6.9	8.3	9.7
Communication and public utilities.....	1.9	3.2	7.4	9.1	9.6	9.6	10.7	11.5
Services.....	0.4	0.6	2.5	2.2	2.5	3.3	4.5	4.9
Government and government enterprises.....	3.2	3.5	4.1	5.3	5.6	5.0	8.0	8.0
All private industries.....	1.1	1.4	4.8	4.5	5.3	6.4	7.5	9.0

Sources: U.S. Department of Commerce. Percentages computed by Chamber of Commerce of the United States (*Fringe Benefits*, 1959 [Washington, D.C., 1960], p. 38) and by National Industrial Conference Board (*The Economic Almanac*, 1962, pp. 69-78, 1967-68, pp. 82-83.)

Table 5-7 Fringe payments as percentage of payroll, by region and industry groups, 1967

<i>Industry Group</i>	<i>Total, All Regions*</i>	<i>North-east*</i>	<i>East North Central*</i>	<i>South-east*</i>	<i>West*</i>
Total, all industries.....	26.6	28.4	26.1	24.9	25.3
Total, all manufacturing.....	25.6	27.1	25.7	22.9	24.4
Manufacture of:					
Food, beverages, and tobacco.....	28.0	31.7	29.0	23.1	27.1
Textile products and apparel.....	20.6	21.9	†	18.4	†
Pulp, paper, lumber, and furniture....	22.6	24.8	23.2	20.2	25.6
Printing and publishing.....	25.0	26.1	27.3	21.0	24.3
Chemicals and allied products.....	30.9	30.8	32.1	29.7	29.5
Petroleum industry.....	30.8	†	†	29.0	30.9
Rubber, leather, and plastic products.....	26.4	23.3	28.7	†	30.9
Stone, clay, and glass products.....	25.0	27.3	22.2	†	21.2
Primary metal industries.....	28.6	33.1	27.3	28.1	24.6
Fabricated metal products (excluding machinery and transportation equipment).....	24.3	26.9	24.2	19.2	20.8
Machinery (excluding electrical).....	25.5	26.6	25.4	24.0	22.7
Electrical machinery, equipment, and supplies.....	24.8	26.6	23.8	†	21.8
Transportation equipment.....	25.9	26.9	27.6	21.0	24.1
Instruments and miscellaneous manufacturing industries.....	25.3	26.0	23.4	27.8	24.5
Total, all nonmanufacturing.....	28.2	31.0	27.3	26.8	26.3
Public utilities (electric, gas, water, telephone, etc.).....	28.7	31.4	28.3	27.0	27.9
Department stores.....	22.8	20.9	24.3	21.8	22.4
Trade (wholesale and other retail)....	23.3	27.4	24.5	20.5	23.8
Banks, finance, and trust companies.....	32.5	35.5	31.9	31.2	29.7
Insurance companies.....	29.0	33.8	26.5	25.1	25.9
Miscellaneous industries (mining, transportation, research, warehousing, etc.).....	23.6	24.5	23.2	26.2	21.5
Number of companies.....	1150	384	346	180	240

* States in each region are:

Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

East North Central: Illinois, Indiana, Michigan, Ohio, and Wisconsin.

Southeast: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

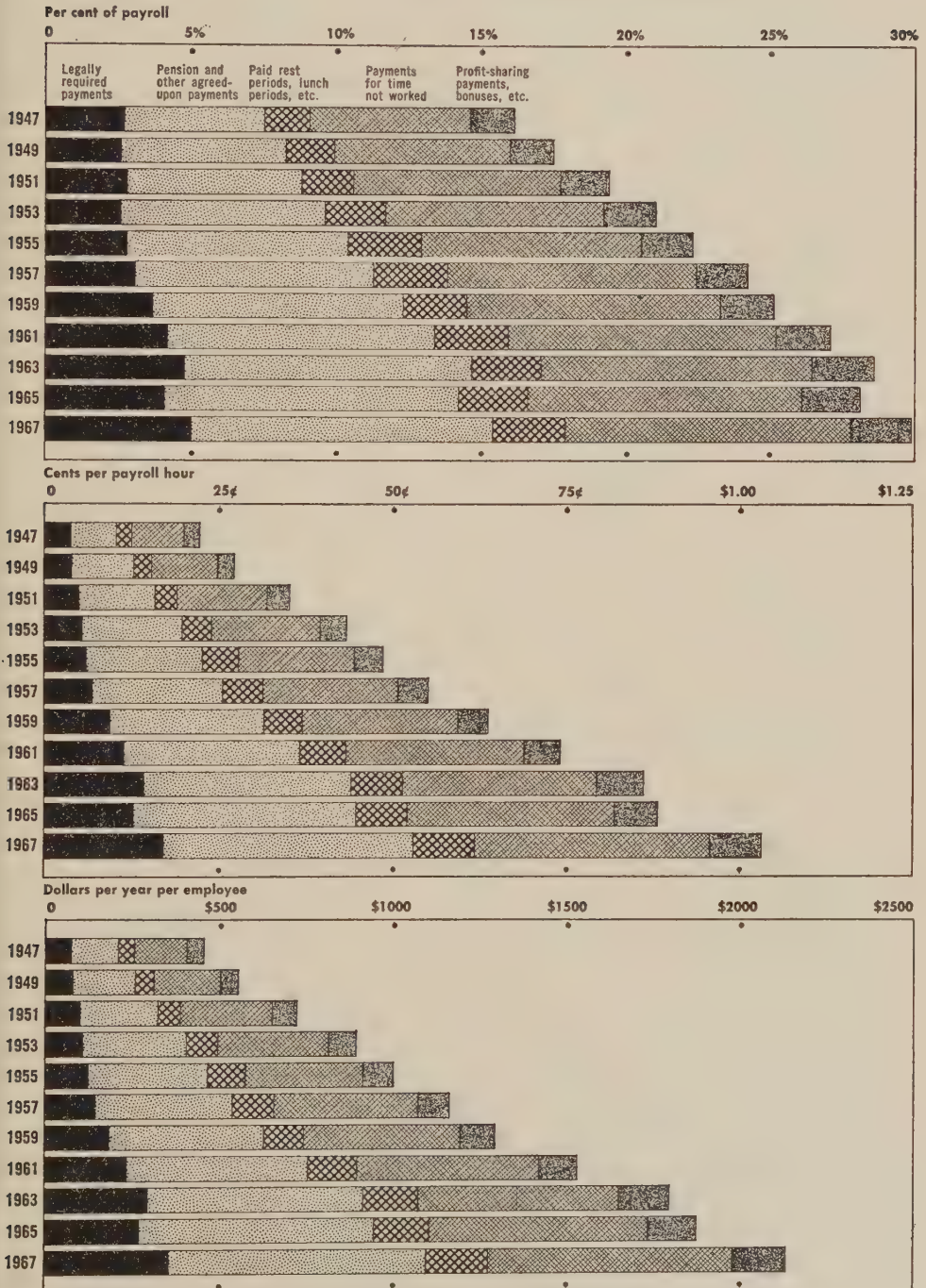
West: Arizona, California, Colorado, Hawaii, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming.

† Fewer than three companies reporting.

Source: Chamber of Commerce of the United States, *Fringe Benefits, 1967* (Washington, D.C., 1968), p. 15.

surveys made by the Chamber of Commerce of the United States of selected companies in the postwar period. Between 1947 and 1967 total fringe benefits rose from about 15.1 percent of total payroll to about 30 percent of total payroll. While the increase in percentage points was

Figure 5-2 Fringe payments for 79 identical companies, 1947-67, odd years



Source: Chamber of Commerce of the United States, *Fringe Benefits, 1967* (Washington, D.C., 1968), p. 28.

greatest among the manufacturing companies, the nonmanufacturing companies furnished fringe benefits constituting a greater percentage of total payroll in 1967 than was true of the manufacturing companies. Slightly larger amounts were likewise registered in the nonmanufacturing firms in so far as the cents-per-hour and dollars-per-year measurements were concerned. It is evident in Figure 5-2 that for the companies surveyed, as of 1967, total fringe benefits amounted to about \$1.05 per payroll hour and almost \$2,200 per year per employee.

Regional findings of the 1955 and 1967 surveys conducted by the Chamber of Commerce of the United States are summarized in Table 5-8 and clearly illustrate the fact that for all industries, fringes as a percentage of payroll were highest in the Northeast and lowest in the Southeast. The southeastern firms were decidedly in last place with respect to the manufacturing industries and also with respect to nonmanufacturing

Table 5-8 Fringes as percentage of payroll, by regions, 1955 and 1967

	<i>Total, All Regions</i>		<i>Northeast</i>		<i>East North Central</i>		<i>Southeast</i>		<i>West</i>	
	1955	1967	1955	1967	1955	1967	1955	1967	1955	1967
Total, all industries...	20.3	26.6	22.3	28.4	19.1	26.1	19.0	24.9	19.4	25.3
Total, all manufacturing.....	18.5	25.6	19.9	27.1	17.9	25.7	15.4	22.9	18.4	24.4
Total, all nonmanufacturing.....	22.9	28.2	26.4	31.0	22.8	27.3	22.0	26.8	20.0	26.3

Source: Chamber of Commerce of the United States, *Fringe Benefits 1955*, and *Fringe Benefits 1967* (Washington, D.C., 1956 and 1968).

firms. The nonmanufacturing category was led by banks and finance and insurance companies, while manufacturing as a category was led by petroleum, chemicals, and primary metals. By 1967 the Northeast still ranked first in the all-industries category. (See Table 5-7.) The Southeast still ranked last in the manufacturing category and also in the nonmanufacturing category. The Northeast led all other regions in both the manufacturing and the nonmanufacturing classes.

While it is still a moot and much-debated question as to whether trade unions have really raised wage levels, it is generally conceded that unions have probably had considerable influence in the shift toward greater emphasis on fringe benefits as opposed to take-home pay. Thus, it is likely no accident that the big developments in this area have taken place in the period following the great growths in union formation and membership. It should be noted, however, that other factors have contributed to union efforts in the interest of fringe benefits. Notable among these factors were the tax-saving provisions of the high excess profits

taxes of World War II with respect to employer contributions toward fringe benefits such as pensions, and the relative wage and price freezes of both the World War II and the Korean War periods. When government exerts controls upon direct wage payments, as it did during the war periods mentioned, firms tend to resort to raising indirect wages or fringe benefits as a means of attracting and/or maintaining desired work forces.

An indication of how important fringe benefits have become in the major industries of the nation can be found by reference to the steel industry wage composition as of 1968. Estimates showed the total labor cost to be about \$5.03 per hour, of which \$3.55 per hour was straight-time pay and about \$1.48 per hour was "fringes" and premium pay.²⁴ Thus, about 29.4 percent of the typical steelworker's pay was in the form of indirect or deferred wages. The breakdown of the latter item was as follows: shift differentials, 4.9 cents; Sunday premium, 6.7 cents; overtime premium, 12.6 cents; holiday premium, 6.5 cents; pay for holidays not worked, 4.9 cents; vacation pay, 37.6 cents; miscellaneous—retroactive pay and the like 1.8 cents; employer's social security taxes, insurance, pensions, and company contributions to the guaranteed annual wage plan, 72.9 cents.²⁵ As of 1940, in the same industry, fringes consisted largely of social security, which amounted then to about 6.9 cents per hour, or less than 8 percent of total pay for the average steelworker. While steel wages in 1968 were among the highest, the average worker in private, nonfarm employment was not too far behind. According to the Department of Labor, the average worker in private, nonfarm employment in 1968 earned a total of \$3.52 per hour, including fringes. About 81 percent of the wage rate was straight-time pay while pay for leave, overtime, and other premiums, bonuses, and terminal wages accounted for 9 percent. The remaining 10 percent represented employer contributions to government or private insurance and welfare programs.

While marked developments have occurred since 1940 in all the fringe benefits noted, probably the developments which have occasioned most interest and attention are those in the areas of private pension plans and guaranteed annual wages. While private pension plans date back to the American Railway Express Company plan of the 1870's and were set up in a number of firms prior to 1930, the big boom in pension plans came during and immediately following World War II. As noted above, the partial wage freeze of the war period was largely responsible for the increase in pension plans during the war, along with the tax-saving provisions of the excess profits tax on corporations. After the end of the war, further impetus was provided as the United Steelworkers won

²⁴ American Iron and Steel Institute, *Charting Steel's Progress in 1966*, New York 17, N.Y., p. 49.

²⁵ Strictly speaking, shift differentials and premium pay are not indirect or deferred wages, but they are often mentioned in discussions thereof.

private pensions in the steel industry after a long and heated discussion in 1948-49 which culminated in the appointment of a governmental investigatory board by President Truman. Soon after this union victory, the United Auto Workers won a similar concession from the major automobile firms which, combined with the efforts of the federal government to stabilize wages and prices during the Korean War, served to bring private industrial pensions to hundreds of thousands of additional workers. As of 1967, probably more than 17,000 private pension plans were in existence covering more than 17 million employees.²⁶ This represented a decline in private pension plans of some 8,000 between 1956 and 1967, a decline concentrated mainly in small firms as only about 475,000 employees were involved. Total private pension reserves constitute a growing and impressive figure which had reached \$75 billion by 1964.

According to a study by the federal Department of Labor of one hundred major negotiated pension plans in effect in 1961, average pension payments had risen to sizable proportions.²⁷ Thus, for a worker retiring at age 65 after 30 years of service and who had had an average monthly income of \$350 during his working years, the average pension payment amounted to \$83.72 under the plans studied. In addition, such a retiree would receive \$116 per month under OASDHI on his own account plus another \$58 per month for his wife if she was 65 years or older. The total retirement income for such a couple would thus be about \$257.72 as long as both retirees are living. By 1968, a comparable man and wife could look forward to a monthly pension of nearly \$400 due to concomitant liberalizations of private pension plan benefits and OASDHI benefits as well as increases in money wages over the intervening years. Thus, John L. Lewis' goal of \$100-a-month retirement income for the average coal miner shortly after World War II had been almost quadrupled for an increasing number of employees by 1968.

A novel modification of auto pension plans appeared in the 1964 agreements. Thus, a worker retiring at age 55 after 30 years with his firm may receive up to \$400 pension monthly until age 65 when it will be reduced to what he could have expected at that age. The obvious goal of this modification is that of encouraging earlier retirement in order to ease unemployment problems for younger workers. The indirect, longer-run

²⁶ A study in 1959-60 by the Bureau of Labor Statistics of sixty metropolitan areas covering all industrial categories save government, construction, and the extractive industries disclosed that about three fourths of office workers and two thirds of plant workers were covered by private pensions. See Otto Hollberg and Alexander Jarrell, "Supplementary Wage Benefits in Metropolitan Areas, 1959-60," *Monthly Labor Review*, April, 1961, pp. 379-87. See also Donald M. Landay and Harry E. Davis, "Growth and Vesting Changes in Private Pension Plans," *Monthly Labor Review*, May, 1968, pp. 29-35.

²⁷ See U.S. Department of Labor, "One Hundred Selected Pension Plans Under Collective Bargaining," Bulletin No. 1307 (Washington, D.C.: U.S. Government Printing Office, Jan., 1962).

result may be that of lowering the national retirement age norm if this plan spreads.

The guaranteed annual wage also has assumed greater prominence in recent years although it, too, dates back to the latter part of the nineteenth century. One of the oldest plans to date—that of the Procter & Gamble Company—has been in continuous existence since 1923.²⁸ The United Auto Workers, by winning a limited guarantee of wages from the automobile firms in 1955 (with Ford signing first), provided the stimulus which had brought over 2 million workers under such plans by 1966. The growth in such plans has been very slow with the number of workers covered in 1966 being only slightly larger than the number covered in 1961. As of 1966, additionally, about 63 percent of workers covered were members of the auto and steel workers' unions with about 28 percent of those covered being members of three other unions: garment, rubber, and electrical workers' unions. Because most of the original plans did not actually guarantee *annual* incomes, they came to be labeled supplemental unemployment benefit plans (SUB). More recently, however, most plans do guarantee *annual* incomes with the rubber workers' plan guaranteeing up to *three* years' income. Further, combined SUB and unemployment insurance benefits may be as high as 80 percent of the gross wage under the rubber workers' plan. Principal features of the plans as they exist in the automobile industry include the following: The firm contributes a certain amount per man-hour of employment to a special trust fund until a certain agreed-upon maximum is reached. In the event the firm cannot provide employment for the full year, the employee is guaranteed (assuming he meets all qualifications) up to 68–77 percent (depending upon number of dependents) of his regular pay for a period of fifty-two weeks, with his unemployment compensation being figured in to meet this guarantee. If the trust fund should become exhausted, the employer's liability for supplemental unemployment benefits usually is terminated until the trust fund is replenished. Certain qualifications are written into the typical plan which afford some flexibility to the employer, such as the provision often found which limits the guarantee to workers with two or more years of experience with the firm. Before the automobile firms' guaranteed annual wage plans could be initially activated, states had to rule as to whether an unemployed worker could collect both his unemployment compensation under the state law and supplemental benefits under the guaranteed annual wage plan. The vast majority of states took this step between 1955 and 1957, with most of them doing so via a ruling by the state's attorney general and the rest proceeding by way of legislative amendment of the state's unemploy-

²⁸ The Procter & Gamble plan is really a guaranteed *employment* plan under which workers are guaranteed a certain number of weeks of employment each year, with the wage being a variable subject to company control.

ment compensation law. The 1967 auto contracts added a feature to the SUB plan which brings the blue-collar worker closer to Walter Reuther's goal of guaranteed *annual income* for production workers as opposed to the traditional hour-and-piece wage scale. Under this new arrangement any worker with seven or more years of seniority will receive for every week he is on lay-off 95 percent of his after-tax wage minus \$7.50 for such work-related expenses as transportation, lunches, and work clothing. Such payments will be continued to the worker for as long as one full year and include unemployment compensation benefits and SUB allowances. While these are all details in the Ford agreement, the other two of the "Big Three" auto firms signed similar agreements. While several firms outside the automobile industry have set up similar plans, notably in steel and farm implements, and while some also guarantee fifty-two weeks' pay, it is obvious that the progress in guaranteed annual wages has been much slower than that in private pensions and has been confined to relatively larger firms than has been true in the case of private pensions. It is also probable that the failure of state unemployment compensation benefits to keep pace with wage and cost-of-living trends was in some measure responsible for the renewed emphasis by organized labor on wage guarantees or "supplemental" unemployment compensation. If this be true, liberalization of unemployment compensation laws in the future would simultaneously lighten the burden of firms already having SUB arrangements and probably slow down the adoption of SUB by other firms.

The economic effects of the above shifts in wage composition are very difficult to sift out at this stage of their development. To the extent, over the long run, that deferred wages come to be a part of total wages, and assuming that wage levels do not rise more rapidly as a result of fringe benefits than they would have otherwise, it becomes merely a matter of decision on the part of given labor and management groups as to how the wage shall be apportioned as between present and future needs. If, however, the move toward deferred wages means more rapid upward movements in money wages than would have occurred without the fringe benefits, the long-run result may very well be that of increasing the divergence between money- and real-wage upward movements already observed.

There is an element of the transfer payment in some of the fringe items, too. The guaranteed annual wage in a sense represents a transfer of wages from the relatively regularly employed persons to the minority within the given work force whose employment is subject to more frequent interruptions by layoffs. The older worker with much seniority thus often objects to the guaranteed annual wage, since he sees himself sacrificing some take-home pay in order that younger, less secure workers will have more economic support in the event of a layoff. By way of the

guaranteed annual wage, the union leader may be in the process of placating the younger members of the organization who, in turn, may feel they have sacrificed some security so that the older members, through seniority clauses, can be granted more security of tenure on the job. Union leadership, therefore, may be trying to maximize the political satisfaction of constituents of all ages by balancing one plan against the other, so to speak.

The transfer element can be found in other public and private benefits as well as in the guaranteed annual wage. Thus, state workmen's compensation programs and private group sickness and accident policies represent a transfer of pay from the majority who will not need such help to the minority who will suffer accidental injury or protracted illness. By the same token, the private pension plan represents, in part, a transfer payment from those who leave the firm or who die before retirement age or soon thereafter to those who remain with the firm and/or those who live longer than the average length of life.

INCENTIVE WAGE PLANS

While the developments noted above have been unfolding with respect to wage composition, other developments have been taking place with respect to the method of wage payment. Shortly after the advent of Frederick Taylor's scientific management in the early 1900's, various incentive wage plans began to multiply and to replace the more traditional straight-time wage. After World War II it was often estimated that perhaps 25 percent of the nation's wage earners were under some form of incentive plan: piecework, bonus, and/or commission. By 1959 this estimate had reached approximately 30 percent. Between 1959 and 1963, however, a nationwide study by the Bureau of Labor Statistics disclosed a decline in this percentage to 26 percent of all wage earners as well as 26 percent of all factory production workers. Some apparent reasons for this development have included the trend toward automation which makes incentives less desirable or necessary since the work pace is machine-controlled. It is too early to be certain that this will become a flight from incentive plans in general. As a matter of fact, more recent studies by the Bureau of Labor Statistics (1963-68) show the percentage covered by incentive wage plans at 27 percent.

Manufacturing industries commonly using some form of incentive wage include apparel, textiles, cigars, footwear, and some metalworking industries. Manufacturing firms typically utilize some form of piecework or bonus payments. The commission approach, on the other hand, is quite commonly found in sales departments of retail stores and in wholesale establishments. No great use is made of incentive pay systems in transportation, communication, or public utilities. One reason may be

the degree to which some of these concerns have been automated; and if so, this may offer some indication of one of the possible effects upon methods of wage payment by future automation developments.

The coal-mining industry formerly used a system of wage payment based upon the tonnage of coal mined by the worker. The increased use of mechanization in mining, however, has caused the industry to swing in favor of straight-time wages. Incentive pay is virtually unused in such industries as construction, banking, warehousing, variety retailing, and the service trades, or in such manufacturing establishments as bakeries, printing shops, tool and die production, and chemicals. Likewise, incentive plans are largely unused in governmentally operated industrial establishments. Federal legislation actually prohibits the use of stop watches in shipyards. Only a very few white-collar office employees are working under incentive pay plans in any industry.

In order for incentive pay plans to work with a reasonable degree of satisfaction, it has been found that certain essential conditions should be present. These include the following: the possibility of measuring output in homogeneous units, a reasonable chance that workers will or can maintain quality workmanship while increasing their speed, the absence of complete automation, the absence of frequent changes in methods of production and/or design, and the understanding and support of the plan by the work force. In firms where the above requirements have not been found, incentive pay plans have often proved more costly in the final analysis than straight-time pay.

Many experiments with incentive wages have met with disaster—not necessarily because of undesirability of incentive pay per se, but because of inept construction and administration of the plans. Thus, some firms, in attempting to emphasize speed of production, have encountered problems with respect to deterioration in quality of product. Other firms have noted a tendency for harmonious and cooperative relationships in the plant to be threatened as the incentive system pits man against man in the race for higher pay levels. Still other firms have set erroneous work standards—either too high or too low—and have experienced grave problems in their attempts to revise standards.

Union leadership in the main has been another stumbling block, since it is usually opposed to incentive wage plans. A minority of union leadership has been found to favor such plans, but only if labor standards are provided with safeguards or if the union is allowed some voice in the setting and revision of said standards. One of the reasons for union opposition is defensible, in that it involves abuses which were quite common on the part of management in many of the early incentive plans. Through these abuses, management was sometimes guilty of an unwarranted “speed-up” of production, the capricious alteration of work standards, or the seizure of the lion’s share of the gains from increased

productivity. It should be noted, however, that in many plants, unions (notably locals) not only accept incentive wage plans but even seem to prefer them and to cooperate with them. Sometimes, a given union and management will compromise in the form of "measured-day work," under which hourly rates are paid for production up to a given (measured) level, with additional premiums being paid when output reaches a stipulated higher level. Both group and individual incentive plans can be adapted to the measured-day work arrangement. As observed earlier in the chapter, increased use of automation may mean a reversal in time of the trend toward incentive wage plans. This is to be expected, since the incentive system of wages is advisable only when the worker has some control over the speed of output. If the work is automated and the speed thus taken out of the worker's control, the need for an incentive wage disappears. Even after further development of automation, however, it is not likely that incentive wage systems will have completely disappeared, since many types of operations will not lend themselves to automation and thus there will remain many operations whose speed will be under the control of the individual worker.

Two other forms of short-run wage determination which are somewhat related to incentive wages have appeared in recent labor agreements. One of these which involves the sharing of profits with employees was given renewed life by the 1961 agreement between American Motors and the United Auto Workers Union. Under this agreement, production workers shared annually to the extent of 15 percent of the firm's profits before taxes with two-thirds of the workers' share going to underwrite improvements in fringe benefits and one-third applied to the purchase of company stock for the employees. This plan was retained in the contract as negotiated in 1964 with some changes favoring both the union and the firm. On the union's side, a *cash* share of profits was substituted for company stock, and the firm agreed to pay certain fringe benefits regardless of the profits earned. On the company's side, a ceiling was placed on the firm's contributions to the profit-sharing fund equal to \$264 per worker per year or 13.2 cents per hour per worker, whichever is higher, and the reserve fund which had been designed in 1961 to finance benefits when profits are insufficient was eliminated. President Walter Reuther of the UAW has predicted the future spread of profit-sharing agreements in collective bargaining. However, such a provision was not included in the Chrysler, Ford, and General Motors contracts of 1964. The second plan resides in the 1962 agreement between the Kaiser Steel Company and the United Steelworkers Union and provides an incentive for workers to make suggestions leading to the cutting of production costs. Out of any savings in production costs employees receive 32.5 percent while the company keeps 67.5 percent. Both plans noted were enthusiastically praised by all concerned after their first two years of operation. It is still

a matter of speculation, however, as to their future popularity in a time when profits do not exist to be shared or when cost cutting might appear to be directly related to the laying off of production workers. As a matter of fact, the American Motors plan was inoperative after 1964 due to the financial position of the firm. None the less, profit sharing plans were on the ascendancy in 1967 with an estimated 15,000 new plans appearing yearly in this country. A survey by the Bureau of Labor Statistics in 1967 disclosed profit-sharing plans covering over 2 million persons in large and medium-sized firms of metropolitan areas or about 12 percent of plant employees and 22 percent of office personnel.²⁹

TRENDS IN WAGE ADEQUACY

At frequently recurring intervals in the past, reference has been made in various quarters to the concept of the "living wage," in an effort to determine whether given wage levels were adequate for the worker and/or his family in this respect. While this concept is decidedly illusory and virtually impossible to nail down, brief reference is here made to some comparisons which may provide a rough appraisal, at least, of the movements of average wage rates in so far as "adequacy" is concerned.

In the spring of 1945 the Bureau of Labor Statistics of the federal government was directed by the Labor and Federal Security Subcommittee of the House of Representatives' Committee on Appropriations to "find out what it costs a worker's family to live in the large cities of the United States." The Subcommittee evinced an interest in the living cost differentials among industrial cities as well as in the total amount in "dollars required for the average worker in overalls to live in these cities." The Bureau of Labor Statistics subsequently selected a sample of thirty-four industrial cities (now thirty-nine) and decided upon a family unit of four as the basis for its study. The sample family included an employed father, a housewife not gainfully employed, and two children under age 15. The Bureau then attempted to ascertain the dollar cost of a budget for such a family which would insure an "adequate level of living" for health, efficiency, the nurture of the children, and participation in typical community activities. The resulting budget was not a subsistence budget, but it was also far from a luxury budget. The family was assumed to be living in a separate house or apartment of its own, with no lodgers or cotenants and with no dependents upon the husband's income save his family. The hypothetical dwelling was assumed to be rented, to consist of five rooms inclusive of kitchen and bath, to be provided with hot and cold running water and electrical wiring, to have at least one window in each room, and to be located within reasonable

²⁹ Gunnar Engen, "A New Direction and Growth in Profit Sharing," *Monthly Labor Review*, July, 1967, pp. 1-8.

commuting distance of schools, churches, shopping centers, and the husband's employment, as well as within walking distance of food stores and elementary schools. The wife was assumed to do all the housework with no paid help but with the aid of a gas or electric stove, a mechanical refrigerator, and a washing machine. The budget made a minimum allowance for the purchase of some furniture and equipment each year to the extent thought necessary to maintain the scale of living. The food allowed by the budget assured the family of a wholesome, nutritious diet, but not a fancy one. It was possible, for instance, for the family to have meat for dinner several times weekly if the cheaper cuts were purchased and to have a roast each Sunday and a turkey on Thanksgiving. It was assumed that no more than 5 percent of the family's meals would be purchased away from home. The clothing allowance provided the father with one heavy wool suit every two years, one light wool suit every three years, and five shirts and two pairs of shoes yearly; the wife was allowed one heavy wool coat every four years, and four dresses and three pairs of shoes yearly. One out-of-town vacation trip every three to four years was provided for in the budget, which was also drawn so as to assume a used family automobile for some but not all families, for the reason that in some locations, such as New York City, for example, an automobile would be considered of much less importance by a family than would be the case in a small town. The family was assumed to own a small radio, to buy one daily paper, to purchase at least thirty-two copies of some popularly priced magazine yearly, and to attend a movie once in three weeks. The husband was allowed a haircut every three weeks and the son one in every five weeks, while the mother and daughter were permitted one every three months. A small amount was set aside in the budget for life insurance plus employee contributions to social insurance, private retirement, and insurance plans. Other forms of saving were not included in the budget.

The components of the above budget were arrived at through laboratory experimentation or scientific observation as well as by a check of the spending practices of representative samples of urban families of the same size as that used for the budget. It was estimated that the same budget for a family of two would be about 65 percent of that for the family of four, one for a family of three would be about 84 percent of the budget for four, while a similar budget for a family of five would be about 115 percent of that for the family of four. Varying degrees of skill in shopping and purchasing could not be allowed for in the average budget, obviously, and this constituted just one of the many difficulties encountered in attempting to draw up such a budget. Nevertheless, the budget perhaps provided a crude idea of the average cost of living for a worker's family in an urban industrial area. In Table 5-9 is shown the relative dollar costs of such a budget in sixteen cities classified by

geographical region as of fall, 1959, as well as the costs of such a budget in 1962 and 1966 after making allowances for changes in the cost of living, the federal personal income tax, and social insurance taxes. Of course the "budget" has been updated and refined for rising scales of living as time has passed but the original one described above illustrates the conservative nature of the "budget." As of 1969, a set of three family budgets was being utilized to reflect spending habits of families living on low, moderate, or higher living scales. The "family of four" persons used to develop budgetary estimates included a husband employed full time,

Table 5-9 Income needed for worker's family budget* (fall, 1959, 1962, 1966)

Cities	Fall			% Increase
	1959	1962	1966	1959-66
Northeastern cities:				
Boston	\$6,317	\$6,784	\$9,049	43.3
New York	5,970	6,352	9,075	52.0
Philadelphia	5,898	6,205	8,462	43.5
Pittsburgh	6,199	6,565	8,424	35.9
Midwestern cities:				
Chicago	6,567	6,869	8,797	33.9
Detroit	6,072	6,206	8,388	38.1
Kansas City, Missouri	5,964	6,328	8,703	45.9
Minneapolis	6,181	6,521	8,874	43.6
Southern cities:				
Atlanta	5,642	5,873	8,170	44.8
Baltimore	5,718	6,015	8,624	50.8
Houston	5,370	5,617	8,074	50.4
Washington, D.C.	6,147	6,430	8,770	42.7
Western cities:				
Los Angeles	6,285	6,700	9,072	44.3
Portland, Oregon	6,222	6,508	N.A.	N.A.
San Francisco	6,304	6,770	9,496	50.7
Seattle	6,562	6,989	9,279	41.6
Urban United States	6,130	6,461	8,594	40.2

* Worker's family "health and decency budget" as prepared periodically by the Bureau of Labor Statistics for family of four persons living in rented house or apartment.

Source: Bureau of Labor Statistics, U.S. Department of Labor.

a wife who did not work outside the home, and two children—a girl of 8 and a boy of 13 years. All three budgets allowed for preservation of health and social well being, the nurturing of children, and involvement in community activities. The actual substance of the budgets was based on the manner of living and the types of consumer choices characterizing the 1960's. Differences between the lower budget and the two higher level budgets include the following: in the lower budget the family resides in a rented housing unit without air conditioning, uses public

transportation most of the time but supplemented occasionally by use of an older family car, performs more services for itself, and takes advantage of free community recreational activities. For most budget items, the quantity is greater and the quality is higher as successively higher budgets are considered.³⁰

Living costs also vary with the size of family with three sizes being recognized in connection with the three budgets used. The three families consisted of (1) a young couple without children; (2) the "family of four" as noted above; and (3) a middle-aged family with three teenage children. For example, the costs of the three budget levels for a young couple without children in 1967 were put at \$3,000; \$4,500; and \$6,500, respectively.

In Table 5-10, there is an attempt to show the degree of adequacy

Table 5-10 Trends in adequacy of average annual earnings for selected categories of workers, 1947 and 1966

Workers	Average Annual Earnings 1947	Percentage of Average Worker's Budget, June, 1947, for U.S.		Percentage of Average Worker's Budget, 1966 for U.S.*	
		Average	Average	Average	Average
Manufacturing production					
workers.....	\$2,598	80.8	\$5,842	67.9	
Durable goods workers.....	2,728	84.9	6,349	73.9	
Nondurable goods					
workers.....	2,442	76.0	5,121	59.6	
Building construction.....	3,292	102.4	7,586	88.3	
Retail trade.....	2,114	65.7	3,566	41.5	

* See Table 5-9 in this chapter.

Sources: Bureau of Labor Statistics, U.S. Department of Labor; and Council of Economic Advisers, *Economic Indicators* (Washington, D.C.: U.S. Government Printing Office, January, 1968).

present in average annual earnings for selected major groups of workers when compared with the average city worker's budget cost as of June, 1947, and fall, 1966. It is obvious, first of all, that in both periods there was a considerable distance between the average worker's earnings and the average cost of the hypothetical budget, with the exception of workers in building construction. Also obvious is the fact that average annual earnings for all groups of workers lost ground on the average cost of budget for a family of four between June, 1947, and fall, 1966. Significantly, the smallest losses were scored by construction workers and durable goods manufacturing workers. These two groups will also be

³⁰ For a more detailed account of these budgets, see Jean C. Brackett, "New BLS Budgets Provide Yardsticks for Measuring Family Living Costs," *Monthly Labor Review*, April, 1969, pp. 3-16.

recognized as the most highly organized of the four groups presented, but it is difficult to single out cause-and-effect relationships. These areas, for example, are also areas in which great gains in man-hour productivity were scored during this period relative to those in retail trade or even some nondurable manufacturing production, so this may have been the principal reason for the lesser degree of decline noted. On the other hand, there may have been some causal relationship between the degree of labor organization in construction and durable goods manufacturing and the progress made in man-hour productivity in these industries. Be that as it may, the overall conclusion which can tentatively be reached is that wages of all four of these major groups of workers tended to become "less adequate" with respect to the average cost of a minimum budget for a family of four in a typical urban industrial area. Two words of caution should be noted here before these comparisons are taken too seriously: (1) the annual income of workers does not include earnings which may have been contributed by other members of the family, so that it is not really *family* income which is being compared with costs of family budget but, rather, income of typical breadwinner vs. cost of family budget; (2) the annual income figures are an average of incomes earned by all production workers in manufacturing firms all over the nation, whereas the cost of family budget is confined to that in a sample of major urban areas. To a lesser extent, it is also possible that earnings by the principal breadwinner on second or third part-time jobs (moonlighting) would fill in some of the gap between income and budget costs for a segment of the families in each category.

President Lyndon Johnson, in his first message to Congress (1964), alluded to family income inadequacy on a national scale and pledged his administration to its alleviation. Poverty-stricken families were defined as those with less than \$3000 annual income with about 20 percent of the nation's family units so classified.³¹ As of the end of 1967, only about 10 percent of the nation's families—5.3 million—were classed as being in the poverty category. While this total is markedly down from the 13.4 million families of 1959, it must still be considered a sizable group for an affluent society. Within the poverty classification are nearly all families living on incomes based upon the minimum wage set by federal law as well as older persons supported solely by the old age benefits of Social Security. Geographically, the poverty-stricken family units are relatively more prevalent in the more agricultural southern and north central states of the nation, while the more highly industrialized western and north-eastern states have correspondingly smaller percentages of such units. The problem of poverty and its eradication has been a constant and elusive one for human society throughout its history. It is sobering to

³¹ In 1967 this poverty boundary was altered somewhat with a figure below \$3000 (\$2,345) used in rural areas and one above \$3000 (\$3,335) used in urban areas.

note that even the most advanced industrial nations of the present are still plagued by poverty of sizable—though declining—magnitude.

In February, 1969, the Department of Labor issued a detailed table which outlines the poverty boundary line relating to family size and whether the residence is farm or nonfarm.

<i>Family Size</i>	<i>Income (Nonfarm)</i>	<i>Income (Farm)</i>
1	\$1,600	\$1,100
2	2,100	1,500
3	2,600	1,800
4	3,300	2,300
5	3,900	2,800
6	4,400	3,100
7	4,900	3,400
8	5,400	3,800
9	5,900	4,100
10	6,400	4,500
11	6,900	4,800
12	7,400	5,200
13 or more	7,900	5,500

Racially speaking, nonwhite persons and families are much more apt to be found within the poverty classification than are their white counterparts. Thus, in 1967 about 10.3 percent of white persons were within the poverty classification while 35.4 percent of nonwhite persons were so classified. In the same year only 8.4 percent of white families were below the poverty boundary in contrast to 30.7 percent of nonwhite families. All these figures represent considerable progress since 1959, but that of nonwhite families was disappointingly less than that of white families. For example, white families dropped from 15.1 percent, being classed as poor in 1959, to 8.4 percent in 1967 or a decline of some over 44 percent. By contrast, nonwhite families fell from 49.5 percent, being classed as poor in 1959, to 30.7 percent in 1967 or a decline of only about 38 percent.

Various federal projects started since 1965 to alleviate poverty are discussed in detail in Chapter 19. However, it may be noted here in passing that each year has seen a greater outlay for this purpose. From 1965 to 1968 a grand total of \$5.6 billion was spent by all such programs. This represents a step in the right direction but it must still be counted an inadequate step in view of the persisting size of the poverty class and especially the nonwhite poverty class.

OTHER WAGE TRENDS

Before concluding this chapter on significant wage trends, perhaps three other trends should be noted briefly. First, the trend toward wages

being altered periodically as a result of changes in the cost of living will be considered; secondly, the trend toward automatic annual wage increases via assumed rates of growth in productivity will be mentioned; and third, the tendency for hourly rates to rise even through recessions will receive some attention.

Between the end of World War II and 1953, some 3 million workers were brought under labor contracts providing for cost-of-living escalators. The automobile industry, the steel industry, and the railway industry were major industries in which this development commonly occurred. Typically, the contracts made provision for quarterly checks on changes in the cost of living as shown by the consumers' price index, with the further provision for moving the wage rate up or down a cent for each contractually stipulated unit of change in the cost-of-living index. While no limit was usually provided as to how far wage rates could be adjusted upward, a limit of 5 cents per hour was typically set as a limit beyond which wages could not be adjusted downward in any one year. Several companies, on the insistence of labor unions, discontinued cost-of-living escalators during the recession of 1953-54; but after 1954 the number of workers under such contracts soon reached again the 3 million mark which had been attained in 1953; by 1957, over 4 million workers were under such contracts; while by 1964 the number had declined to about 2 million, largely as a result of stiffening employer resistance stemming from increased cost consciousness. With the resumption of full employment and an acceleration in economic inflation after 1965, the interest of labor unions in escalator clauses rose somewhat. As a result, by 1968 about 2.5 million manufacturing employees were covered by cost-of-living clauses. However, by 1968 only 20 percent of the workers so covered had *quarterly* reviews of the cost of living while 80 percent had to settle for *annual* reviews. It is obvious that this concept has never affected a large proportion of the nation's employees. This trend in wage determination was a product, in part, of postwar inflation as well as a result of the trend toward longer term contracts in some of the major industries. While such provisions have been criticized by many economists because of their alleged built-in inflation bias, when considered collectively, they have nevertheless continued to be used; and viewed from the worker's standpoint, it is not difficult to see why the average worker would like to make certain his wages keep pace with inflationary tendencies in the economy caused by forces other than those under his control or the control of his union and/or industry.

To be satisfied with wage changes which just keep pace with the cost of living would, of course, be contrary to traditional aims of workers and their unions not only for more absolute dollars but for more relative dollars in exchange for their labor. Simply tying wages to the cost of living would mean that no progress in the worker's living scale would be

afforded, no matter how great the growth in overall productivity of the nation's industry. Hence, another by-product of the trend toward the longer term contract is that known as the annual automatic productivity increase or factor. In some of the major industries such as automobiles and steel, the longer term contract typically provides that on each anniversary of the contract, wage rates will be increased automatically by some stipulated amount or percentage which purports to represent a rough estimate (or hope) of annual changes in average man-hour productivity. For example, the General Motors two-year contract of 1948, which initiated this trend in major industry, provided for an annual 3 cents per hour productivity increase. Later, this amount was raised in the 1950 five-year contract to a 4 cents per hour increase per year. The 1964 contract provided for an annual improvement factor of 2.5 percent in September, 1965, and one of 2.8 percent in September, 1966. At the termination of the contract, of course, both management and labor are free to bargain over wage rates anew and to correct, presumably, any mistakes made as a result of the automatic increases. Thus, if actual productivity increases have failed to measure up to expectations of management, this party could be expected to resist strongly demands for heavy wage increases by the union and to urge a cut in the annual improvement factor. On the other hand, if productivity has risen by more than anticipated, the union could be expected to argue very aggressively for substantial wage increases as well as for a boost in the annual improvement factor. Despite possible inflationary consequences of both the cost of living and the automatic annual improvement factors in wages, they have probably operated to provide some degree of stability in the bargaining relationships of labor and management in the industries concerned. It is significant, however, that neither of these developments nor the longer term contract have been advanced greatly outside the major industrial firms of the nation. Furthermore, the annual improvement factor has always applied to fewer employees than the escalator clause, with both being subject to conservative modifications since 1960. In a sense these two automatic wage adjustment-clauses have constituted the price which several managements have been willing to pay for longer term labor contracts accompanied by uninterrupted production. Without such clauses, the typical longer term contract usually contains a wage reopener clause which permits the reopening of wage negotiations on each anniversary date of the contract with attendant risks of a possible strike each year.

One final trend or tendency with respect to wage rates remains to be considered. That is the tendency, observed in four recession periods since World War II, for wages on an hourly basis to continue to rise even while employment is declining (see Table 5-11). This in part reflects the transition to yearly or longer term collectively bargained agreements as

well as the trends just noted toward escalator clauses and annual improvement factors. In part, the tendency for wage rates to rise through recession periods reflects the relatively optimistic estimate by labor and management, generally, with respect to the probable duration of the slackening in economic activity. The tendency may also be a partial reflection of the growth in bargaining power of the major unions plus the existence of pattern bargaining in the economy, as noted in an earlier chapter, wherein the wage raise pattern is determined by a relatively few union/management groups, with the rest falling in line behind the leaders.

Table 5-11 Wage rates of selected groups in recession periods

Year	Percent Unem- ployed	Average Hourly Wage Rates		
		All Mfg. Employees	Durable Goods Mfg. Employees	Nondurable Goods Mfg. Employees
1948	3.8	1.33	1.40	1.25
1949	5.9	1.38	1.45	1.30
1950	5.3	1.44	1.52	1.35
1953	2.9	1.74	1.86	1.58
1954	5.6	1.78	1.90	1.62
1955	4.4	1.86	1.99	1.67
1957	4.3	2.05	2.19	1.85
1958	6.8	2.11	2.26	1.91
1959	5.5	2.19	2.36	1.98
1960	5.6'	2.26	2.43	2.05
1961	6.7	2.32	2.49	2.11
1962	5.6	2.39	2.56	2.17
1963	5.7	2.46	2.63	2.22
1964	5.2	2.53	2.71	2.29

Source: Bureau of Labor Statistics, U.S. Department of Labor, *Employment and Earnings*, January, 1965, pp. 1 and 35.

SUMMARY

One of the most obvious trends with respect to wages in the industrial economy is the tendency for both money and real wages to rise as the industrialization process unfolds, with money wages rising over the long run more rapidly than real wages. Accounting for this tendency are probably many factors, which include inflationary pressures occasioned by periods of full employment and possibly institutional pressures such as those stemming from labor organizations. On the other hand, in most years over the past four or five decades, wages and salaries as a percentage of national income have exhibited a remarkably constant relationship, a fact which may lend some support to the asserted long-run link between wages and the marginal productivity of labor.

Major shifts in wage structure differentials which have become apparent include the following: the tendency for average manual workers' wages to gain ground on average white-collar remuneration, the tendency for the unskilled/skilled wage differential to shrink, the tendency for the farm/urban wage differential to narrow somewhat, the tendency for industrial wage differentials in general to become slightly less pronounced, the tendency for geographic wage differentials to decline slightly, and the tendency for racial wage differentials to subside somewhat as better training and a few more job opportunities have been made available to nonwhite workers.

Other wage trends of recent interest have included the marked change in wage composition in the direction of deferred wages or fringe benefits, the increased use of the guaranteed annual wage or supplemental unemployment benefit, the popularity of the escalator clause in labor contracts, and gradual growth in the popularity of incentive wages, although of late there has been some indication that automation may eventually spell some decline in the use of incentives in wage payment. Studies of wage adequacy leave the impression that average earnings of workers in this country are still short of the goal of providing the average worker and his family with a "health and decency" budget. If this be true of the average worker, it is even more true of the below-average employee. In other words, for millions of people the society may be somewhat less than affluent.

DISCUSSION QUESTIONS

1. Consider and analyze some of the factors which may account for the tendency of money wages to outstrip real wages over the long run.
2. It has been contended by some that unionism has had no effect upon wages. Comment on this statement.
3. Why, in your opinion, have wages and salaries maintained a relatively constant percentage of total national income over the long run?
4. Comment upon the chances of labor to greatly improve its economic status by taking a larger share of the national income over the years to come.
5. With the wages of manual workers gaining on the salaries of nonsupervisory white-collar workers, why do not the latter turn to organization as a means of protection?
6. Discuss the various factors which may have been responsible for the decline in the unskilled/skilled wage differential which has been so apparent during this century.
7. What problems would you see for an economy where the unskilled/skilled wage differential has been completely eliminated?
8. What are some reasons why the farm/urban wage differentials do not quickly disappear?

9. Why should average wages in the nondurable goods manufacturing industries typically be lower than average wages in the durable goods manufacturing industries?
10. Comment upon some of the forces which, over the long run, should cause the North/South wage differential to decline.
11. Discuss the various reasons which keep average nonwhite wages below average white wages. Note both long-run and short-run reasons in this discussion.
12. Some have termed fringe benefits in this country a type of "private social security." Comment on this statement.
13. What are the possibilities for guaranteed annual wages serving as a solution to the problem of unemployment?

SELECTED READINGS

- ALLEN, DONNA. *Fringe Benefits: Wages or Social Obligation?* Ithaca, New York: Cornell University, 1964.
- AMERICAN ASSEMBLY. *Wages, Prices, Profits and Productivity*. New York: Columbia University, 1959.
- BARRY, CAROL. "White Collar Employment: II. Characteristics," *Monthly Labor Review*, February, 1961, pp. 139-47.
- CHAMBER OF COMMERCE OF THE UNITED STATES. *Employee Benefits 1967*. Washington, D.C., 1968.
- CONFERENCE ON ECONOMIC PROGRESS. *Poverty and Deprivation in the United States*. Washington, D.C., April, 1962.
- FINANCIAL EXECUTIVES INSTITUTE. *Private Pension Plans and the Public Interest*. New York, October, 1967.
- LEVITAN, SAR A.; COHEN, WILBUR J.; and LAMPMAN, ROBERT; Editors. *Towards Freedom From Want*. Industrial Relations Research Association Series, IRRA, Social Science Building, Madison, Wisconsin, September 27, 1967.
- DOUGLAS, PAUL H. *Real Wages in the United States, 1890-1925*. Boston: Houghton Mifflin Co., 1930.
- MORGAN, CHESTER A. "A Study of Fringe Benefits in the Small Firm," *Studies in the Factor Markets for Small Business Firms* (ed. Dudley G. Luckett), pp. 153-88. Prepared under the Small Business Administration Management Research Grant Program. Ames, Iowa: Iowa State University, 1964.
- REYNOLDS, L. G., and TAFT, C. H. *The Evolution of Wage Structures*. New Haven: Yale University Press, 1956.
- TAYLOR, GEORGE W., and PIERSON, FRANK C. *New Concepts in Wage Determination*. New York: McGraw-Hill Book Co., Inc., 1957.
- WOYTINSKY, W. S., and ASSOCIATES. *Employment and Wages in the United States*. New York: Twentieth Century Fund, 1953.
- WRIGHT, D. M. (ed.). *The Impact of the Union*. New York: Harcourt, Brace & Co., Inc., 1951.

THE PROBLEM OF WORKING HOURS

The problem area of working hours, also intensified by the impacts of industrialization upon the labor market, has proved to be another major and chronic source of disagreement and friction between labor and management. An important determinant of labor supply along with the size of labor force, the pace of work, and the physical health and endurance of labor force members, the length of working hours is fraught with serious economic aspects as well as those of a sociological, psychological, and political nature. One of the changes ushered in by industrialization relative to the determination of the length of the work-day and work week is that of taking the decision out of the control of the individual and/or family in most cases and transferring it to the larger group, or even society as a whole, to a great extent. Individualized or small-group production can be tailored in part to the desires or physical needs of the individual with respect to leisure time versus working time. Collectivized production, as typified by the large factory, has meant that most employees must conform to a certain uniform length of workday and work week. Consequently, there has evolved since the beginning of industrialization a constant struggle between those advocating shorter than current working hours and those advocating constant or longer than current working hours. It is not surprising to learn that resulting decisions have not been and cannot be satisfactory to all concerned.

HISTORICAL DEVELOPMENTS

From the latter Middle Ages to 1750, working hours in England for handicraftsmen in most cottage factories had been reduced from "day-light hours" to ten hours per day. The farm laborer, of course, was still forced through economic necessity to work from sunrise to sunset during the busy planting and harvesting seasons of the year to eke out a living

for himself and his family. With the coming of the factory movement and its attendant mechanization, which greatly increased output per man-hour, it would seem logical for working hours of town laborers to have continued their narrowing trend. On the contrary, however, industrialization in England, and later in the United States and other nations, initially brought an increase in the length of working hours for town laborers. As a result, the daylight hours of the farm workers became the normal working hours of the factory workers, thus negating the progress which handicraft workers had experienced in the length of the workday from 1600 to 1750.

Several factors should probably be noted in explanation of the seemingly unwarranted lengthening of working hours in the factories. For one thing, the newly arising industrial capitalists were quick to perceive that fixed costs per unit of output could be minimized if the new high-priced machines could be kept in continuous operation. The lack of adequate artificial illumination precluded round-the-clock production, while the multiple-shift operation had not been introduced. Consequently, it seemed that employees had to be worked as much as possible during the daylight hours if the industrialist were to minimize his costs and to maximize his profits. Furthermore, the principal industry of the society was still agriculture, where daylight hours had been the norm from time immemorial, and this influence was felt in the towns. At the same time, religious beliefs of the time and place substantiated the desirability of sunup-to-sundown hours on the ground that idle minds could only serve as the workplace of the devil. A still further bit of rationale was the argument that as machines made work less demanding of human muscles, it followed that longer hours could be withstood than had been the case under conditions of hand production. This argument also served to excuse the employment for long hours of women as well as very young children, who were viewed by many as having thus been made more useful to society by the advent of the machine. Finally, consistent with the growth of *laissez faire* as the dominant political philosophy, governmental intervention with respect to working hours was nonexistent, and the embryonic labor organizations were too impotent to make much of a protest either through collective bargaining or through their remote influence upon legislators.

As a result of the above factors, a half century after the beginning of industrialization in England found factory hours there as of 1800 as long as 19 and 20 per day and 90 to 100 per week in extreme cases.¹ Hours of 15 to 16 per day were quite common and seemingly aroused no alarm in authoritative circles. As late as 1842, the workday in some English coal

¹ Florence Peterson, *Survey of Labor Economics* (rev. ed.; New York: Harper & Bros., 1951), chap. xvi.

mines was found to be 14 to 15 hours for men, as well as for women and children used in dragging the coal cars from the mines.

In the United States, similar developments took place as the textile industry began to mechanize. Such developments on this side of the Atlantic seemingly had about as much official support initially as they had commanded in England. Thus, Alexander Hamilton in 1791 observed, with respect to the increasing employment of women and young children, that their employment made women and children "more useful than they otherwise would be." He further noted that they were thus spared the evils of idleness and destitution.²

As of 1832, at least 40 percent of all persons working in New England factories were between the ages of 7 and 16, and were employed all the way from 10 to 14 or 15 hours per day.³ As late as 1840 the normal work week in the textile mills of Massachusetts was 84 hours in length. A modest departure from the norm did occur in 1837, however, as President Jackson established the 10-hour day for shipyard workers in Philadelphia—not the last time that government fiat was to aid in the move toward shorter working hours.

Although most early English and American employers steadfastly maintained that such hours as noted above were vitally necessary to profitable business, it became obvious to many persons in England shortly after 1800 and in the United States a short time later that the future welfare of the race of working people, if not of the population as a whole, demanded more humane working conditions and shorter hours. Members of the English medical profession were frequently heard to comment with increasing force in the early 1800's that the long hours and intolerable working conditions would reduce the working population in industrial towns to deformed and stunted individuals with very short life expectancy and no chance to enjoy the few years of living which they might salvage. To this group in the medical profession must be added the growing numbers of labor organizations, always in the vanguard of the shorter hours movement, increasing numbers of thoughtful statesmen, a minority of farsighted employers, and even novelists and poets of the day.⁴ In response to the growing clamor for shorter hours and improved working conditions and employment norms, Parliament passed laws between 1802 and 1832 which prohibited nightwork by children and limited the hours by day for this group to 12. Today, of course, this seems like a small concession, indeed; but at the time, it was undoubtedly branded as a radical step by opponents and a threat to the financial

² Alexander Hamilton, *Report on Manufactures*, 1791, p. 29, quoted in Bureau of Labor Statistics, U.S. Department of Labor, *History of Wages*, Bulletin No. 499 (Washington, D.C.: U.S. Government Printing Office, 1929), p. 85.

³ Peterson, *op. cit.*

⁴ E.g., Elizabeth Barrett Browning, *The Cry of the Children*.

solvency of English industry. By 1848 the ten-hour day had been legally set up for most industrial labor within England.

In the United States, labor unions began to argue for shorter working hours almost as soon as they were formed. As early as 1791, for example, journeymen carpenters of the city of Philadelphia requested working hours from 6:00 A.M. to 6:00 P.M. instead of their customary dawn-to-dusk hours, but they were unsuccessful in this venture.⁵ The public view in Philadelphia generally was that idleness was a vice and hence long working hours were to be desired. In 1822, Philadelphia millwrights and machinists asked for 6:00-to-6:00 working hours, with one hour off for breakfast and another for the midday meal. Boston house carpenters in 1825 went on strike for the 10-hour day, with the employers maintaining regretfully that the 10-hour movement must be of an "evil foreign growth," since they could not believe that the "faithful and industrious sons of New England" would initiate such a move.⁶ In the same year a legislative committee in Massachusetts found the customary working day in factories of the state to be one of 12 hours. In 1833, carpenters in Washington, D.C., were in opposition to their 15- to 17-hour day, which paid them wages of only about \$1.37½ per day.

Working Hours, 1850-90

There was no significant downturn in factory working hours until the decade of the 1850's in the United States. In the half century prior to 1900, however, manufacturing working hours were materially reduced. One of the most-quoted studies of working hours for industry of this period was that made by the Senate's Aldrich Committee in 1890, which covered the fifty years between 1840 and 1890. This study dealt with practices in 21 major industries between 1860 and 1890, with more scattered data for the years 1840-60.⁷ As of 1840, it was determined that the prevailing length of working day for the nine industries studied was about 11.4 hours on average, with a range of from 9.3 hours in the white lead industry to 14 hours in the cotton goods industry. By 1890, the average for 21 major industries had become 10 hours, according to the Committee's findings, ranging from 9.3 hours in municipal public works to 12 in the ale, beer, and porter industry, and also in paper manufacturing.⁸ Thus, on average, the Committee estimated that working hours in major American industries declined by about 12.3 percent from

⁵ H. A. Millis and R. E. Montgomery, *Labor's Progress and Problems*, Vol. I, *Economics of Labor* (New York: McGraw-Hill Book Co., Inc., 1938), chap. ix.

⁶ *Ibid.*

⁷ W. S. Woytinsky and Associates, *Employment and Wages in the United States* (New York: Twentieth Century Fund, 1953), pp. 46-53.

⁸ *Ibid.*

1840 to 1890. The Committee report indicated this decline to be less than it had expected to find and further observed that reductions in hours were probably greater over all than in the particular industries surveyed.

Union agitation for shorter working hours gathered momentum, especially during the decades following the Civil War. The AFL resolved in its 1884 convention—while it was still known as the Federation of Organized Trades and Labor Unions—that the eight-hour day should be the official length of workday after May, 1886. Aid in this project was sought by the AFL from the Knights of Labor, then in their peak of strength. This move failed generally, and by 1890 the AFL had decided to work for the eight-hour day in piecemeal fashion, securing it wherever possible and deferring it wherever the situation demanded it.⁹ The total support of the Federation was to be thrown back of a particular craft union's drive, with the Carpenters' union selected to be the first. This union, with the support of the AFL, soon succeeded in attaining the eight-hour day in over one hundred cities. President Compers of the AFL asserted in answer to critics that the Federation did not want to reduce overall production but rather to increase productivity by way of shorter hours, which would make the worker a "greater consumer," a "better man," and "a better thinker" who would desire more of the goods he helped produce.

Even though working hours on average by the 1890's had declined considerably from 1840 levels, it should not be imagined that all industries maintained working hours of 10 or less per day. In steel, for example, average working hours were 65 to 66 per week in the 1890's, while many operatives in the industry, such as the "turn men," worked from 72 to 84 hours per week at the blast furnaces and open hearths.¹⁰ In fact, the 12-hour day was the rule in steel until the mid-1920's.

It should also be noted that as of the 1890's, working hours tended to be longer in the South than in the North. Likewise, they were longer in rural regions than in highly industrialized urban areas. They were longer in areas where labor was plentiful than in areas where labor was in short supply; they were longer in areas where Negroes and immigrants were used as workers in large quantities than in areas where native white labor predominated. And working hours were also longer in industries where labor organization was weak, such as the baking, textiles, and woodworking industries, than they were in the more highly organized industries. It has been pointed out further that within the same industry, skilled workers—especially when tightly organized—generally worked shorter hours than their unorganized, unskilled counterparts. This was

⁹ Philip Taft, *Economics and Problems of Labor* (3d ed.; Harrisburg, Pa.: Stackpole Co., 1955), chap. xiii.

¹⁰ Millis and Montgomery, *op. cit.*, chap. ix.

especially found to be the case in construction, iron and steel, and railroads.

Working Hours, 1890–1920

In the wake of rapid growth of union membership and the years of Spanish-American War prosperity, the eight-hour-day movement gained momentum between 1890 and the outbreak of World War I in 1914. During this period, some building trades workers and other well-organized groups achieved the 44-hour week.¹¹ As in earlier periods, however, despite the fact that many groups attained a shorter workday just prior to World War I, most work groups did not fare so well. As of 1914, for example, almost 12 percent of manufacturing wage earners were working on a standard work week of 48 hours or less, while almost 49 percent of such workers worked 55 hours or more per week, and another 27 percent put in 60 hours or more per week.¹²

In iron and steel the twelve-hour day and seven-day week became more popular instead of less popular after the early 1890's. A notable increase in working hours in this industry began to take place after Carnegie steel interests succeeded in defeating the union in the famous Homestead Strike of 1892. By 1915, therefore, average standard hours for steel workers were about 65.5 hours.

With the outbreak of war, however, the eight-hour-day movement literally seemed to permeate the nation. President Woodrow Wilson declared that the people of the nation had made up their minds generally in favor of the eight-hour day. The shortage of labor during the war increased the bargaining power of labor with respect to this item as well as others in the realm of collective bargaining, while the war did not involve the nation long enough to cause an increase in the average length of working hours normally expected during war emergencies. As a result, by 1919, almost 49 percent of manufacturing employees were working a 48-hour week or less.

Measured in absolute terms, working hours in the highly unionized manufacturing industries did not decline by a greater amount than did those in the nonunion manufacturing industries between 1890 and 1920. Working hours in unionized industries moved from an average of 54.4 hours in 1890 to 45.7 hours by 1920, for a decrease of 8.7 hours. Working hours in nonunion manufacturing industries, on the other hand, declined from an average of 62.2 hours in 1890 to 53.5 hours in 1920, for a similar decrease of 8.7 hours. Thus, the differential between the two groups was the same in both years—7.8 hours.¹³ Prior to 1915, it would appear that

¹¹ *Ibid.*

¹² *Ibid.*

¹³ *Ibid.*, p. 471.

the unionized factory workers gained relatively more with respect to hours than did the nonunion workers. Between 1915 and 1920, however, the gain experienced by the nonunion plants with respect to working hours exceeded that of the unionized firms.¹⁴ A common hypothesis frequently drawn from this observation is that labor organization tends to yield appreciable results in its early stages but that, as time passes, the rate of gain tends to slow down to a speed not too different from that of nonunion segments. It is highly possible, too, that the relationship between demand and supply in the labor markets will have an important bearing. Thus, the more unemployment there is, the greater the wage and/or hour discrepancies which can exist between firms and industries without stimulating excessive labor turnover for the lagging firms. On the other hand, when the labor market is tight and employment is at a very high level, small discrepancies between firms and industries with respect to wages, hours, or other working conditions may constitute a source of labor unrest and turnover which is quite troublesome. Thus, in the case above, labor markets were generally tighter from 1915 to 1920 than they were in most years between 1890 and 1915.

The diversity in working hours as among major industries was less pronounced in 1920 than it had been in 1890. For example, both the percentage of workers on less than a 44-hour week and that of workers on longer than a 60-hour week were down in 1920 from what they had been in 1890.¹⁵ Some notable milestones in the shorter hours movement between 1890 and 1920 included the successful strike of the International Typographical Union in 1906 in book and job printing establishments for the eight-hour day, and the 1916 Adamson Act, which established the basic eight-hour day in the railroad industry in order to avert a threatened nationwide strike which would have interfered greatly with the economy as it faced the threat of war. On the other hand, the 1919 bid of the United Mine Workers for a six-hour day and five-day week was denied by the Bituminous Coal Commission which was appointed by the President to settle the strike then being conducted against soft-coal operators. Also, in 1919 some 300,000 steelworkers struck to eliminate the 12-hour day but were beaten and average working hours in steel remained at about 68 or 69 per week.

Hours, 1920-69

The pronounced downward trend in working hours which characterized the period 1915-20 did not continue during the 1920's. As a matter of fact, there was considerable shifting of working hours backward from

¹⁴ *Ibid.*, p. 472.

¹⁵ *Ibid.*

48 per week to 51 and 54 hours per week in this decade. Some industries, however, which had been operating on a 60-hour basis as of 1920, did reduce their hours to 54 or even 51 hours per week by 1929. Probably the most important change in working hours for manufacturing production workers during the 1920's was the shift from the 48-hour week to one generally not exceeding 54 hours.¹⁶

The reductions in hours which occurred during the 1920's took the form generally of a reduction in daily hours of one-half hour to one hour and/or the setting-up of Saturday afternoon as a holiday. There was a definite spread of the 5½-day week during the latter 1920's, with the five-day week also coming into greater prominence. In this connection, as of 1930, about 43.3 percent of the automobile workers had the five-day week, about 34.4 percent of radio workers had a similar work week, and about a fourth of the aircraft industry's employees were working a five-day week, according to a survey of about 3.9 million workers by the National Industrial Conference Board.¹⁷ This study disclosed, however, that of the 3.9 million workers surveyed, only 5.6 percent were actually on a five-day week as of 1930.

Probably the most noteworthy single development with regard to working hours in the decade of the 1920's was the abolition within steel during 1923 of the 12-hour day, seven-day week, and the "13 out of 14 days" system which had served as the norm in that industry for nearly four decades.¹⁸ The latter aspect of the system meant that two shifts of workers each alternated as workers of the day shift and the night shift. Thus, for two weeks half of the workers worked the day shift with the remaining half on the night shift. On the 14th day or the day of changeover, one shift had to work "around the clock" in order to facilitate the changeover, a system whose repugnance to the workers can only be imagined in a modern period of very short working hours. Even with this development, however, as late as 1930, over half the blast furnace employees were still working a seven-day week, and over 11 percent of all steelworkers were putting in from 72 to 84 hours per week.

The depression decade of the 1930's witnessed major cuts in working hours in most industries. These cuts, however, should be viewed as temporary short-run departures from the more gradual long-run changes in working hours, since they represented attempts on the part of workers, unions, and even employers to spread available jobs among as many workers as possible, with partial unemployment of the many being chosen as more desirable than total unemployment of the few. It is noteworthy, too, that many within organized labor as well as a number

¹⁶ *Ibid.*, chap. ix.

¹⁷ *Ibid.*, p. 475.

¹⁸ U.S. Department of Labor, *Monthly Labor Review*, June, 1930, pp. 183 ff.

outside this group, including employers, politicians, and academicians, began advocating shorter hours not only as a "spread the work" technique but increasingly as a causal factor in long-run economic recovery. Between 1930 and 1933, two principal tendencies could be discerned in labor markets of this nation: (1) acceptance by a large part of business management of the "spread the work" philosophy, without endorsing shorter hours as a permanent policy; and (2) introduction in some industries of the five-day week or the 36-hour, six-day week, with definite recognition generally that this was to be a more or less permanent arrangement. In connection with the first observed tendency, as of March, 1932, approximately 56.1 percent of all workers and 63 percent of the manufacturing workers of this society were employed on a part-time basis, i.e., at less than the normal length workday or work week. The partial unemployment which this tendency brought to many did not really constitute a net gain in worker well-being, since the added hours of leisure (unemployment) were probably more than offset by the lowered real income of the persons involved. Psychologically, however, to the extent that the shorter hours precluded total layoffs, they may have possessed some limited value for the workers in question and may also have contributed some stability to the economy as a whole.

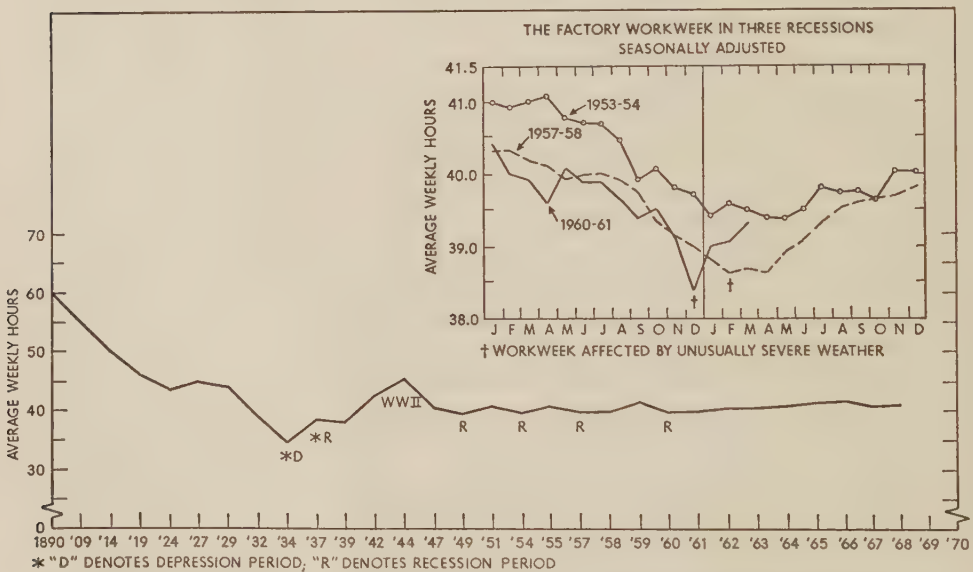
Between 1933 and 1935, when the National Industrial Recovery Act codes were in existence, employers were urged to spread employment by cutting working hours; to provide a foundation for the shorter work week throughout industry as a long-run recovery program, on the theory that mechanical and technological changes were reducing the number of labor hours needed for a given amount of production; and under governmental supervision, to work out their own standards of working hours and to make the maxima agreed upon applicable to all firms within a given industry. The brief application of the NIRA before its declared unconstitutionality in 1935 brought to light one fundamental conflict, namely, the desire to spread employment and to increase purchasing power by simultaneously reducing hours and raising hourly rates versus the desire of industrial management groups to prevent hours from being unduly reduced and to provide enough elasticity in the basic hours decided upon to make possible smooth and efficient operation of the establishments. Compromises which were made as a result of this conflict were definitely reflected in the hours provisions of the codes. The 40-hour week definitely became the model or norm during the life of the National Recovery Administration, with about 85.5 percent of the codes designating the 40-hour week as basic. On the other hand, variations from the 40-hour week in actual practice were quite commonly found to exist.

In 1938 the federal Fair Labor Standards Act substantially fortified the 40-hour week as the national norm by requiring premium pay for most workers in interstate commerce who were employed for more than

40 hours per week. Even with this legislative underpinning, however, the 40-hour week was not and still is not universally observed. For example, railroads did not institute the 40-hour week for their nonoperating workers generally until 1949. Employees in retail and service establishments of the small rural towns have generally observed a longer than 40-hour work week down to the present day, being greatly influenced by the traditionally longer hours of work on the farm and exempt from coverage of the Fair Labor Standards Act.

While the 40-hour week has remained as a sort of national norm since the 1930's, short-run variations above and below this level have obtained

Figure 6-1 Average weekly hours in selected years, 1890-1968, for U.S. manufacturing production workers



Sources: National Industrial Conference Board, *The Economic Almanac* (New York: Thomas Y. Crowell Co., 1956), pp. 240-41; Council of Economic Advisers, *Economic Indicators* (Washington, D.C.: U.S. Government Printing Office, March, 1969), p. 13.

for the economy as a whole in various periods, while particular groups have gradually moved toward a normal work week which is shorter than the so-called "national norm" of 40 hours. Thus, with respect to the first observation just made, the World War II period and the Korean War years witnessed average working hours in excess of 40 hours per week (see Figure 6-1). By the same token, recession periods since the end of World War II have tended to bring average working hours slightly below the 40-hour level (see Figure 6-1). Acceleration of the military action in Vietnam from 1965 to 1969 plus monetary and fiscal policies

designed to stimulate full employment once again brought average hours above 40 per week.

In illustration of the observation above that while the national norm has remained a 40-hour week since the 1930's, particular groups have gradually evolved shorter work weeks, the Department of Labor, surveying all the major communities of the nation, found in the period from late 1962 to mid-1964 that the following groups had already moved to the shorter-than-forty-hours work week: 98 percent of the printing trades workers; 97 percent of the ladies garment workers; 65 percent of the brewery workers; 15 percent of the rubber workers; 13 percent of the construction workers; and 12 percent of the retail workers. In all, about 8 million persons or about 15 percent of all wage and salary workers were found to be working less than a 40-hour week.¹⁹ The most extreme departure from the normal work week is that attained in recent years by the electrical workers of New York City—a 25-hour week.²⁰

In addition to the groups above, the Department of Labor found that fairly large groups of workers in coal mining, retailing, jewelry, millinery, fur, motion pictures, publishing, and lumbering had adopted a shorter than 40-hour work week as of 1963. While some of these groups have shorter work weeks partially as a carry-over from the 1930 depression, as in the case of the Akron rubber workers, most of the reductions in hours for these groups represent more recent alterations in working time.²¹ At present, these groups represent only a minority of work groups in the nation and thus cannot be said to have established a new national norm for working hours. If and when such groups represent a majority of the nation's work groups, it will be necessary to alter the length of the mythical normal work week on a national basis.

Arguments Utilized

Several interesting studies have been made over the years of the arguments advanced by various groups in support of the shorter hours movement as well as the arguments advanced by other units—notably employer groups—in opposition to the shorter hours movement. Arguments of both groups have shifted with the passage of time, they have not always been consistent, and they have often served as a smoke screen for the real motivations of the unit in question.

Arguments advanced by labor groups in support of shorter hours can be noted under three main categories.

¹⁹ *The American Federationist*, December, 1964, p. 12.

²⁰ *Ibid.*, p. 13.

²¹ The six-day, 36-hour arrangement in the rubber tire industry of Akron may be crumbling in view of the fact that the Goodrich Company moved to a five-day, 40-hour week in the summer of 1965.

Citizenship and Cultural Arguments. In this connection, it was common for workers' organizations to argue that the worker needed leisure time in a democratic society both for the performance of his civic duties and in order that he might have time to "live," i.e., to enjoy life with his family and friends. Thus, labor leaders were almost unanimous in asserting that through shorter hours the worker would become a better citizen, a better husband and father, and a better man in general. These arguments were especially relevant in the nineteenth century, when working hours were so long as to interfere seriously with the worker's time as a citizen and family man. Obviously, as hours were gradually shortened, the value of this category of arguments rapidly diminished.

Health-of-Worker Arguments. Also prominent among nineteenth-century arguments, and understandably so, were arguments that long hours were detrimental to the health of workers. Although it was conceded that machine production might result in less physical demands upon the worker, it was argued that the greater monotony and speed of machine production were apt to cause mental fatigue and nervous strain to a degree unknown under manual production methods. The fact that the tempo of production is machine-determined, it was argued, precludes the taking into account of individual differences with respect to the need for rest and recuperation on the part of the worker, with resulting increases in illness, absenteeism, and tardiness. The fact that it was difficult, if not impossible, to determine the causal relationship between the length of working hours and the incidence of worker fatigue and/or illness did not deter the proponents of shorter hours from utilizing the arguments. Admittedly, however, the arguments within this category tended to be received with less enthusiasm as the twentieth century brought continued shortening of working hours.

Fuller Employment and Higher Wage Arguments. From the middle of the nineteenth century on into the twentieth century, a significant following developed for the argument that shortening the work week would increase real incomes of workers while reducing the volume of unemployment. Labor union folklore repeatedly made use of the jingle of the 1860's which held that:

Whether you work by the piece or the day,
Decreasing the hours increases the pay.

Underlying this set of assertions, of course, was the "lump of labor" theory, which held that since only a given amount of labor is needed by the society in a given short-run period, the volume of work available should be divided among existing workers until unemployment disappears. Since the time of Ira Steward, labor leader of the mid-nineteenth century, labor groups and others have frequently advanced the idea that shorter hours would not only relieve short-run unemployment but, by

increasing overall purchasing power, would prove to be a remedy for long-run problems of unemployment as well. The contention usually took the position that added leisure time for the worker would increase his wants and his demands, thus leading to more work for all at increasing rates of pay. The increase in pay rates, it was usually held, would be offset by the beneficial effects of shorter hours upon the health, productivity, and morale of workers. This set of arguments definitely took on new life during the depression of the 1930's, as noted above, and was not confined to labor groups alone but found support also within the ranks of academicians and political figures of the period. Throughout the years since the shorter hours movement was initiated in this nation, labor groups have often advanced citizenship and health factors as "front" arguments for the more basic economic reasoning regarding sharing of scarce jobs which has been more important than the superficial assertions. Similarly, the "front" arguments may have concealed facets involving the political aspirations of union leaders who may have felt impelled to press for shorter hours partly to cement their tenure of office more securely. The economic arguments, of course, tend to emerge as the most important to the labor groups, especially during periods of recession or depression, when job scarcity is all the more apparent. It may also be noted here that union representatives have not always made certain that their contentions were mutually consistent. Thus, they have often argued that healthier, rested workers will turn out as much production on the shorter hours schedule as they turned out on the previous longer schedule. While arguing in this fashion, however, they have not explained adequately just how this line of reasoning can be squared with the "lump of labor" basis for shortening hours to pass around scarce jobs. It would seem that if the same workers on shorter hours produce as many goods as before, jobs would be as scarce or even more so than they were before the hours were cut. Perhaps the explanation is that it is the prerogative of any group—management, labor, or any other—to press its case with whatever arguments come to mind without necessarily concerning itself with internal consistency.

While labor groups have advanced their pet arguments in favor of shorter hours, employer groups have been just as vigorous in sponsoring arguments in opposition to shorter hours. In this instance, the economic argument—the adverse effect of shorter hours on costs and profits—has clearly been the dominant argument of the employer. However, he, too, has been adept at concealing his real position by a smoke screen of superficial claims.

For example, the employer has often posed as the champion of the workers' health in his argument for leaving hours as they were in a given period of time. In this connection, when the ten-hour day was the burning issue of the 1870's, an owner of a bleachery stated that he had

"invariably noticed that when men are kept at work until 10 P.M. they live in better health, as they keep indoors instead of sitting around doors smoking."²²

On numerous occasions, employers have utilized the medium of the Christian religion as a "front" in their opposition to shortening working hours. As recently as 1928 a president of the National Association of Manufacturers said, in opposing the five-day week: "Six days shalt thou labor and do all thy work. So reads the fifth of the great commandments and for 60 centuries it has been accepted as the divinely prescribed standard of economic effort."²³

In the same vein, John E. Edgerton, a past president of the NAM, remarked in 1926, after Ford had adopted the five-day week: "More work and better work is a more inspiring and worthier motto than less work and more pay. . . . It is better not to tamper with God's laws."²⁴

A few years earlier than the above, Judge Elbert Gary, then Chairman of the Board for U.S. Steel, asserted: "the commandment says, 'Six days shalt thou labor and do all thy work.' The reason it didn't say seven days is that the seventh day is a day of rest and that's enough."²⁵

While it is highly possible that on occasion, individual labor and employer representatives may have been sincere in their particular approaches to the hours question, it is probable that on both sides the economic and/or political aspects of the question were of paramount importance. Certainly, this has tended to be the case during the bulk of the twentieth century once working hours were brought below the excessive levels of the early portion of the nineteenth century.

OBSERVATIONS OF HOURS TRENDS

Several observations are in order as the trends in working hours over the past century and a quarter are studied. One of the most frequently mentioned observations is that the developments have been evolutionary, as opposed to revolutionary, in nature. Working hours did not move abruptly from one level to the next but rather moved in a very gradual or creeping manner. Thus, long after some groups had attained the 10-hour day and were agitating for the eight-hour milestone, others were still working on a 12-hour or even longer workday. While the clamor for the eight-hour day began in some areas as early as the 1860's, the eight-hour day did not become universally accepted until the 1920's; and to this day, groups can still be found working longer than eight hours per day. The

²² Peterson, *op. cit.*, p. 416.

²³ L. T. Beman, *Five Day Week* (New York: H. W. Wilson Co., 1928), p. 65.

²⁴ Neil W. Chamberlain, *Labor* (New York: McGraw-Hill Book Co., Inc., 1958), p. 517.

²⁵ Daniel Seligman, "The Four-Day Week: How Soon?" *Fortune*, July, 1954, p. 83.

40-hour week, the national norm for at least three decades, is obviously in the process of gradual erosion, as was the case with earlier norms. As noted above, increasing numbers of workers are to be found within the nation working less than a 40-hour week even in periods of high-level economic activity.

Another observation which is apparent from Figure 6-1 is the relatively steep decline in normal working hours from 1890 to 1930, in contrast with the relatively minor decline therein since 1938. Part of this contrast is illusion rather than fact, owing to the tendency for indirect controls over working hours to assume more importance since the 1920's than the direct approaches of earlier years. That is, up until the late 1920's, regulation of working hours generally took the form of varying the length of the workday or work week per se. Since the 1920's, various indirect approaches have made great inroads on working hours without being reflected in statistics dealing with the normal work week. Included among the indirect approaches would be such items as paid holidays, paid vacations, rest pauses or coffee breaks, paid time off for voting, and the like. While these developments are not reflected in statistics concerning the normal work week, they have exerted profound effects upon the number of working hours per work year which the average worker spends on the job.

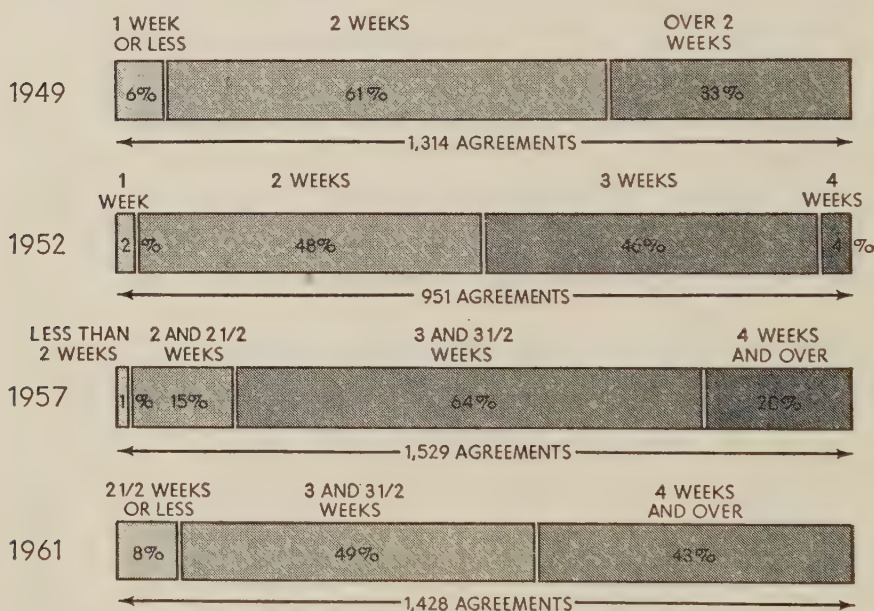
Six to eight paid holidays are almost universal in major employing units of the nation, with some firms already agreeing to nine or even ten paid holidays in their recent labor contracts. A 1967 survey by the Bureau of Labor Statistics disclosed that almost all office employees and 96 percent of the plant employees in metropolitan areas worked for firms providing paid holidays.²⁶ Office workers on average received 8.1 paid holidays per year with plant workers getting 7.4 paid holidays annually. While office workers continued to get more paid holidays on average than did plant workers, the latter have been gaining ground since 1960. Regionally speaking, the Northeast section of the nation had the highest average number of paid holidays—9.3 days—with the South having the smallest average—about 6.5. If eight is taken as the most common figure, this means that the work year is thereby made approximately 64 hours shorter if the eight-hour day is used as the standard of measurement.

Paid vacations of three weeks or more for most production workers have now become almost universal, according to studies by the Department of Labor of the federal government (see Figure 6-2). Of 1,428 labor contracts surveyed in 1961, 92 percent of them provided for three to four or more weeks of paid vacation. This represented a sizable increase over the situation in 1949, when only 33 percent allowed more than two weeks.

²⁶ James N. Houff, "Supplementary Wage Benefits in Metropolitan Areas," *Monthly Labor Review*, June, 1968, pp. 40-47.

As of 1967 about 78 percent of office workers in metropolitan areas were eligible for two weeks or more paid vacation after one year of service in contrast to 24 percent of plant workers.²⁷ However, after five years of service 95 percent of plant workers and 99 percent of office workers were eligible for two weeks or more paid vacation. Also, by 1967 over 50 percent of plant workers and 67 percent of office employees were eligible for four weeks paid vacation after 25 years of service. Finally, about 56 percent of plant workers and 71 percent of office workers were

Figure 6-2 Maximum vacation allowances, uniform and graduated plans, in selected collective bargaining agreements, 1949, 1952, 1957, and 1961.



Source: U.S. Department of Labor, *Monthly Labor Review*, August, 1962, p. 876.

eligible for three weeks paid vacation after 10 years of service. The North Central region had the highest percentage of plant workers with at least four weeks of vacation, while the Northeast had the highest percentage of office employees entitled to four weeks of vacation in 1967. If three weeks is taken as approaching the normal length of vacation, another 120 hours must be subtracted from the annual working hours of an eight-hour-per-day worker.

Even the lowly coffee break or rest pause brings about a much greater subtraction of annual working time than might be imagined. If the

²⁷ James N. Houff, *op. cit.*, pp. 44-45.

typical worker is allowed 20 minutes per day for the rest pause, this allowance alone will result in approximately 74 more hours being subtracted from annual working hours of an eight-hour-per-day worker who is granted three weeks paid vacation plus eight paid holidays.

Thus, from these indirect approaches alone, the annual working hours of the 40-hour-per-week employee are brought down from 2,080 hours per year to about 1,822 per year, which obviously averages out at considerably less than the 40-hour week still considered the national norm. The three indirect approaches just considered mean that the work week on an annual basis averages closer to 35 hours or less per week than it does to 40 hours.

Still other types of indirect approaches to the regulation or limitation of working hours merit consideration. Since the 1930's the legally imposed premium pay for hours in excess of 40 per week as provided in the Fair Labor Standards Act has had the effect of limiting working hours for most workers under the law to 40 or less per week unless unusually favorable economic circumstances induce the firm to pay the time-and-one-half rates required. Further limitations of a similar nature have been introduced through the labor contract, which may provide for double- or triple-time premium pay for hours in excess of 40 or for work on Sundays or stipulated holidays. Saturday afternoon and often all of Saturday may be included in working time for which premium pay must be forthcoming.

If lifetime working hours are being considered, still other devices or developments have served as limiting agents. Compulsory school attendance laws plus child labor laws—both of which have had organized labor's vigorous support—have had the effect of chopping off many years of working hours from the early portion of the average person's life span. These hours were frequently utilized by industry during the nineteenth century and even into the twentieth century. Similarly, automatic compulsory retirement at age 65 or some other stipulated age, plus legislative provisions for old-age annuities as well as privately sponsored pension plans, have had the combined effect of eliminating many hours of work from the latter portion of the typical worker's life span. These developments also have had the support of organized labor or may have been initiated by it on numerous occasions. Consequently, it is highly misleading, in view of the above indirect techniques for limiting or regulating working hours, to conclude that little or no change in normal working hours has taken place since 1930. While this may be true of *nominal* working hours for most workers, *actual* working hours for most workers have been greatly curtailed since 1930.

Another observation which arises from a study of trends in working hours during the past 125 years in the United States and other industrial nations is the increasingly greater reliance within such societies upon

“group” decisions and “social” decisions respecting working hours, as opposed to individual decisions. Thus, the declines in the length of the workday or the work week from 1840 to the 1920’s were engineered by group activities on the economic front through collective bargaining or unilateral employer action and on the political front again as a result of group lobbying tactics. The indirect limitations of working hours, discussed above, which have arisen since the 1920’s all owe their inception to group action via collective bargaining and/or to group action on the political front for working hours legislation.²⁸ While the individual has been the beneficiary or the victim, as the case may be, of the changes in working hours, he has certainly not occupied the role of controller over his length of workday, work week, work year, or even working lifetime. Exceptions to this rule, as to all rules, of course, may be found. Many workers, for example, may be found working on two or more jobs because, for one reason or another, the relatively short working time on the regular job is unsatisfactory. Even here, however, the worker does not control the hours of work in each place where he is employed but rather is forced to abide by group decisions in perhaps all jobs held by him in so far as the length of working time is concerned.

In comparing the developments in working hours for workers in the United States with those of workers in other industrial nations, Professor Millis and Montgomery noted in 1938 that: “Two facts stand out when one compares the progress of the American workers in the matter of hours of work with that of their fellows in other countries: the relatively earlier attainment of the shorter working week elsewhere and the greater part played by governmental intervention.”²⁹ In nearly all European countries and in Australia as well, the eight-hour working day was established in many branches of industry either through governmental action directly or through governmental extension of trade union agreements, while most workers in the United States were still working more than 48 hours per week. In the years since World War II, however, working hours have tended to be shorter in this nation than in other major industrial nations.

A final observation of the trends in working hours concerns itself with the concept of “optimum hours.” Repeatedly, various groups have made reference to this hazy concept, often failing to indicate whether they had in mind optimum hours with respect to health of the worker, economic efficiency of the worker and/or the firm in the short run, or possible

²⁸ It should be noted, of course, that the working environment, regionally speaking, also exerts an influence. Thus, working hours in agriculture and neighboring industries tend to be longer than the national norm. Also, emergencies of a national nature, such as a major war or depression, cause working hours to vary above or below long-run national trends.

²⁹ Millis and Montgomery, *op. cit.*, p. 486.

long-run effects of hours upon productivity of the individual. Studies in most decades of this century have tended to lead to the conclusion that there is no such thing as optimum working hours for the society as a whole, since so many variables enter into determination of optimum hours, such as the type of employment, the firm, the industry, the geographical region, and the age, sex, and strength of the worker. Thus, the most economic hours in the short run for a given firm or type of work may prove to be uneconomic working hours for other firms or employments, or even unhealthful hours for many workers over the longer run.

Apropos of the question of the most efficient length of working time is the exhaustive study conducted in 1947 by the Bureau of Labor Statistics of the Federal Department of Labor.³⁰ The study covered 2,455 male workers, 1,060 female employees, and 34 plants in a variety of industries. Most of the workers involved were on incentive wages, so that declining output at higher hours levels probably reflected bona fide fatigue effects. The workers on straight-time pay tended to maintain about the same pace, leading to the conclusion that such workers may set a normal pace in terms of what they can do when tired.

The major conclusion which this study pointed to was expressed by the Bureau as follows:

. . . there is no such thing as an optimum workweek. Workers perform differently under the same hours because of a variety of factors: the incentive to produce; the physical demands which the job makes upon them; the degree to which they control the work pace; the conditions under which they work; whether they work on day, evening or night shift; whether or not, and how frequently, shifts are rotated; and—less tangibly—whether their relations with management are cordial or otherwise.

Other findings of the study included the following:

1. Addition of a 6th working day in the week, with no change in daily hours, brought a proportionate increase in output on the part of men engaged in moderately heavy work and women doing light work.
2. When the sixth working day was later dropped, men became 5 to 10 percent more efficient on the 10-hour day and 13 to 15 percent more efficient on the 8-hour day. Absenteeism remained about constant. Working an 8-hour day, women at light work were about 7 to 8 percent more efficient on a 5-day week than on a 6-day week. (It is possible that the reason the dropping of the sixth day did not result in a proportionate drop in output was due to the fact that under the incentive wage, workers stepped up their work pace to minimize the loss in take-home pay.)

³⁰ Bureau of Labor Statistics, U.S. Department of Labor, *Hours of Work and Output*, Bulletin No. 917 (Washington, D.C.: U.S. Government Printing Office, 1948).

3. Beginning with a 40-hour week, when daily hours were upped to 9 or 10 while a sixth day was added, substantially poorer performance resulted on the part of both male and female workers and in all kinds of jobs save the machine-paced jobs. In general about three additional hours were needed to produce two hours of output at the prior pace.
4. For male workers on moderately heavy jobs and the 6-day week, efficiency rose markedly when hours declined from 9 or 10 to 8 per day. Only one hour's output was lost on average for every two taken off the schedule.
5. Using the 8-hour day, performance of workers was better if there was no Sunday work involved. After long periods of continuous 7-day work, total weekly output turned out to be no greater than that for a 6-day week and often less. Since Sunday usually carried double pay, seven days of work actually resulted in time in eight days' pay for literally six days' work. Absenteeism was very high on Sundays and when people did show up for work on Sunday, they often took some weekday off the job.
6. Injuries were found to rise disproportionately as daily hours climbed above eight and weekly hours rose above 40. Accident rates rose even more sharply when the work week exceeded 54 hours.

ECONOMIC ASPECTS OF HOURS

In the aggregate sense, the primary economic problem which the total economy faces in regard to the length of working hours is the problem of what constitutes the "best" division as between working time and leisure time. It should be apparent that within limits, hours spent by the labor force at work cannot be devoted to leisure, nor can leisure hours result in production of economic goods. The best or ideal division as between leisure time and production time is extremely elusive and virtually impossible to define. Presumably, it might be described as that division between leisure and working time which comes closest simultaneously to the maximization of production and the maximization of the satisfaction of the majority's ideas or preferences concerning the said division. Obviously, this so-called "ideal" division would never satisfy all persons in an economy, nor would it remain a constant concept. Rather, the division between working and leisure time will constantly experience change as persons, groups, firms, or industries continue to experiment with new divisions.

In the above connection, it is of some interest to take stock of the disposition by a given society of its increased ability to produce per man-hour as time passes. During the first third of the twentieth century,

for example, according to one estimate, the United States as a nation took from one fourth to one third of its growing productivity in the form of more leisure time while utilizing from two thirds to three fourths of its rising productivity in turning out added goods.³¹

A later estimate, made during the 1950's, calculates that during the first half of the twentieth century, roughly 60 percent of its increased ability to produce was taken by the United States in the form of more goods, on average, while about 40 percent was devoted to more leisure time.³² Whether the division by the society has been good or bad is impossible to determine. At any rate, it represents a gigantic compromise by various groups and interests of the nation, a compromise which is probably not wholly satisfactory to any group but, on the other hand, perhaps not too distasteful an arrangement in most instances.

One of the outstanding economic phenomena of the past seventy years has been the ability of the economy to continue to turn out more goods per capita decade after decade despite the more than 33 percent cut in working hours which has occurred since 1890. This makes it at once apparent that to date, at least, industry has found it possible to prevent the loss of output which might follow the shorter work week. Either by substitution of capital for labor or by the utilization of more efficient management and arrangement of work, or through some combination of these approaches, the decline in working time over the long run has not prevented the average scale of living from rising. Certain it is that cause-and-effect relationships are very difficult to ascertain. That is, has rising productivity been the cause of the decline in working time; has the pressure for shorter hours stimulated more rapid rises in productivity than would otherwise have occurred; or has some indeterminate combination of these causes and effects actually been the case?

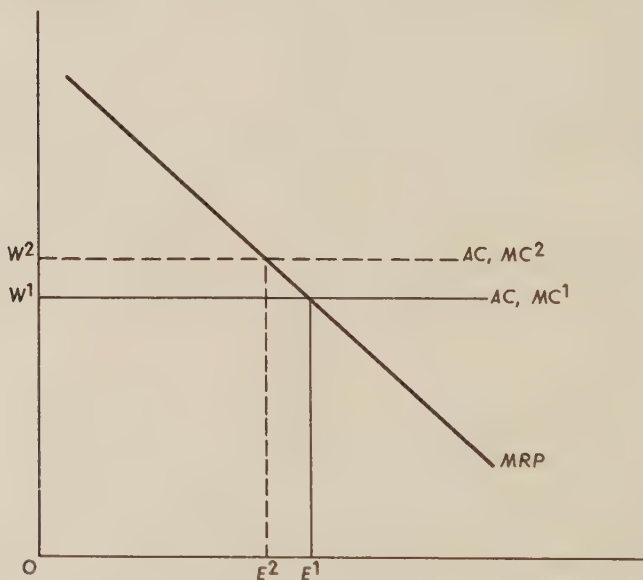
Looking at working hours in the short-run specific case, the orthodox economist's judgment would run something like the following: If wages are already equal to the level of the work group's marginal productivity, any decrease in hours which tends also to boost hourly rates will mean generally that less labor units can profitably be employed by the firm. This would follow because higher wage rates may mean higher prices, which may mean a decline in the amount demanded and hence less employment of labor by the firm (see Figure 6-3). As a result, the workers affected and the society as a whole will experience a reduction in real income stemming from the cutback in money incomes and output. The precise effects of such a decline in working hours will depend upon a number of factors, of course, such as whether the reduction in hours is of a general or limited nature. Thus, if the reduction is very general, the

³¹ Paul H. Douglas, *The Theory of Wages* (New York: Macmillan Co., 1934), chap. xii.

³² Chamberlain, *op. cit.*, p. 517.

end result, as in the case of a general wage increase, may merely be inflation. If the reduction in hours, on the other hand, be limited to a few segments of industry, the effects thereof will be dependent upon the degree of elasticity of demand for the product of the firm or industry. The more elastic the demand, the greater the negative result with respect to employment; the more inelastic the demand for the product, the less will be the negative impact upon the specific employment involved. This is not to say, however, that the price for the increased labor cost has been

Figure 6-3 Effect of general decrease in hours upon employment, assuming constant weekly pay and perfect competition



AC, MC refer to marginal and average cost of labor; *MRP* refers to marginal revenue product of labor; *W* refers to hourly wage rate; *E* refers to employment level in man hours, figures "1" and "2" refer to situations before and after hours cut, respectively.

avoided. Instead, the price may merely have been avoided in the industry in which the decline in hours occurred, owing to an inelastic demand schedule. Consumers of the product, now having less to spend elsewhere, will tend to spend less elsewhere, with the end result being a decline in employment in other industries rather than the one in which the hours decline was initiated. This, of course, illustrates why an economy in which atomistic decisions are the rule with respect to wages, hours, or other aspects of labor cost or any other factor cost cannot realistically expect the whole to be considered by the parts. There is always the possibility that a given group of workers or firms, favored by relatively

inelastic product demand schedules, may seemingly either benefit from what may possibly be a generally indefensible economic move from the standpoint of the total society or at least succeed in avoiding the penalty therefor.

Obviously, not all possible variations have been considered above. The cut in hours might not have occasioned an increase in hourly pay rates. Or the cut in working hours might have so stimulated management to discover ways of making the firm or industry more efficient that in time the rise in labor cost resulting from the cut in hours may be offset or even more than offset by the improvement in productive efficiency.

It should also be noted that if the decline in working hours is nationwide and substantial, only one general short-run result can take place, i.e., the people of the nation, on average, will have more leisure time but fewer goods to enjoy. This *may* be considered a desirable exchange by most persons, since leisure time possesses varying degrees of marginal utility for various persons, just as would more goods. If the general decline in working hours is fairly gradual and is accompanied by gradual increases in productivity which more than offset the declines in hours, the people of such a nation can eat their cake and have it, too, i.e., they can simultaneously enjoy more goods as well as longer week ends and more holidays.

As Professors Millis and Montgomery noted during the 1930's, "the effect of the shorter working week upon the number of workers employers will hire or retain depends upon the percentage decrease in hours, on the one hand, and the percentage increase in hourly rates times the coefficient of elasticity of demand for labor."³³

In connection with this reasoning, if the demand for labor is fairly elastic, as many students of the problem tend to believe, then as working hours are shortened, some sharing of wages as well as of work will probably be necessitated. In other words, in the short-run situation, significant cuts in working hours within a society mean generally lowered real income as well as added leisure. Over the longer run, however, if a nation's productivity is rising noticeably on average, working hours can be gradually shortened while at the same time the nation's people experience rising real incomes. Such seems to have been the experience of the United States during the first seventy years of this century. A static economy, however, would find that its only means of increasing or even maintaining real income as hours decline over the long run would be for a proportionate increase in the efficiency of its labor to accompany the shortening of hours. While this is a possibility, it is probably less likely as working hours get shorter. The ingredient which a progressive economy has which the static economy does not have is that of rising

³³ Millis and Montgomery, *op. cit.*, p. 507.

man-hour productivity via increased use of technology, which multiplies the hourly results of man's productive effort.

Forces Initiating Hours Cuts

It has often been observed that the market itself exerts much less influence with respect to working hours than it does with respect to wages. One reason for this probably is the fact that hours changes must of necessity come in larger chunks than wage rate changes, which can be in terms of a few cents or even a fraction of a cent per hour. Another explanation is the fact that hours must of necessity be more nearly uniform for workers in a firm than wage rates. As a result, the prime forces initiating hours changes are probably other than the operation of economic laws in the market place.

Initiating forces probably would include labor organizations, government, and the employer, in that order. The history of unionism is replete with vigorous efforts on its part, including strike and boycott activities, in the interest of shorter hours of work. Since many of these efforts have been successful, the conclusion has quite naturally been presented that unionism has helped to shorten working hours. Just how much influence unionism has had would be difficult to determine, of course. Certain it is that some of the most tightly organized groups prior to the 1930's—railroad workers and construction workers—achieved shorter working days and weeks in record time. It is also fairly certain that the indirect cuts in working hours since 1930 by way of paid vacations, holidays, and rest periods have been largely initiated by the more tightly organized work groups. On the other hand, as of 1964, about 37 percent of all office employees enjoyed work weeks of less than 40 hours while only about 8 percent of all plant employees had moved to the shorter week. For office workers, 9:00-to-5:00 hours have become quite common in urban areas due to the shortage of clerical help and the increased length of commuting time for such personnel. Nevertheless it is still fairly safe to conclude that union pressure upon the firm and the industry has been one of the primary forces, at least, in speeding up the hours-shortening process.

Government has also figured as a force helping to bring about shorter working hours. Thus, in a very early move, President Jackson, as noted earlier in this chapter, established a 10-hour day for employees of federal shipyards in Philadelphia in 1837, while President Van Buren in 1840 established a 10-hour day for federal employees on public works without reduction in pay. At frequent intervals since Massachusetts and Connecticut enacted laws in 1842 limiting hours for child labor to 10 per day, state governing bodies have legislated with respect to working hours, principally hours of women, children, and transportation employees. In 1868 the federal government enacted its first 8-hour law appli-

cable to laborers, workmen, and mechanics employed by or on behalf of the federal government. And finally, during the 1930's the federal government exerted further influence upon hours by requiring premium pay for hours in excess of 40 per week.

While the great majority of employers has vigorously resisted demands for shorter hours historically, upon occasion a minority of employers has initiated a reduction in working hours. While it is difficult to discover the actual motives which impel an employer to act at variance from what is expected of him, it is quite possible that employers may have lowered hours sometimes for the same reason that employers have at times been responsible for raising wages. That is, the employer may hope by so doing to attract and retain superior workers which, if successful, may result in per unit labor costs no higher and perhaps even lower than those of employers operating on longer hours. Thus, some have suggested this may have been part of Henry Ford's strategy in setting up the five-day week and 8-hour day in the 1920's, thus drawing severe criticism from fellow employers for so doing. An employer lowering hours for the reasons noted may not, therefore, be "progressive" in the humanitarian sense but literally may be simply trying to maximize his profits.³⁴ Or it is possible, as noted in connection with the employer's determination of short-run wage rates, that the employer wants the distinction for his firm of being known as a "good place to work" just for the prestige, social and psychological, which this may bring. Whatever the minority employer's motives in lowering hours, his efforts must be added to those of labor organizations and government directed toward the same end.

Traditionally, of course, the typical employer's reaction to demands for shorter hours has been strong opposition, just as it has been in regard to demands for wage increases, and largely for the same reasons. The employer is usually of the opinion that shortening of hours will boost his labor costs and consequently his marginal costs.³⁵ At the same time, the employer assumes that the marginal revenue product line for labor will remain constant. Thus, on the basis of this assumption, shortening hours will mean a simultaneous cutback in employment and in employer profits. Furthermore, he cannot be sure that increases in man-hour productivity which *may* conceivably follow the shortening of hours will take place in time or to a large enough degree to offset rising labor costs. Therefore, it is quite understandable that the employer, assumed to be

³⁴ C. R. Daugherty and J. B. Parrish, *The Labor Problems of American Society* (Boston: Houghton Mifflin Co., 1952), 393-94.

³⁵ This may be the case whether the workers and/or union are requesting that weekly pay hold constant or not, since the employer knows that to decrease hours and weekly pay at the same time may well nullify any possible gains in worker efficiency stemming from the shorter hours.

interested in maximizing profits, must take a firm stand against the shortening of working hours. An exception to this, of course, would exist when an employer has become convinced that current hours are so long as to result in lower than maximum weekly output. When the firm is convinced this is the case, obviously it would be to its advantage, as well as to that of workers, to lower working hours at least to the point where maximum weekly output may be achieved. It should be noted, however, that most employers would probably be reluctant to admit in the planning stage that their hours are this long. Usually, realization does not come until shorter hours have been tried and found to be more productive either because of their effects upon the worker or because of employer efforts to make the firm more efficient.

Some writers would agree with the late Professor Pigou that the employer's bargaining power is greater with respect to working hours than it is in connection with wages. Thus, Professor Pigou noted:

Where mobility and trade union organisation [*sic*] are imperfect, and where . . . there is some range of indeterminateness in the bargain between an employer and his work people, the employer's bargaining power . . . is greater in the matter of hours of labour than it is in the matter of wages. For, whereas a workman striving to get better wages has only, as it were, to lift his own weight, it is, as a rule, impossible, for technical reasons, that any concession about the hours of labour should be made to him that is not general in character, and therefore, less willingly granted. Moreover, if an employer succeeds in exploiting his work people in the matter of wages, the poverty, which this induces in them, will often make them *willing* to work for longer hours.³⁶

While most students of this problem area would agree that the employer generally will not initiate cuts in working hours and will resist such demands by his workers due to his fear of rising costs and falling profits, at the same time it may appear strange that an employer will seemingly grant some concession with regard to hours rather than risk a strike. One explanation has been advanced by Professor Hicks as he points out that a threat of a strike may influence an employer to grant a concession as to working hours, since now he cannot avoid additional costs. Thus, as he weighs the potential cost of a long strike against the cost of elevating the efficiency of the work force to compensate for shorter hours, he may well decide that the cost of the latter may be less than the cost of a strike.³⁷ On the other hand, in the absence of a union and/or a strike threat, an employer may be much more hesitant to shorten hours, since here the cost of the shortening process looms large

³⁶ A. C. Pigou, *The Economics of Welfare* (3d ed.; London: Macmillan & Co., Ltd., 1929), pp. 466-67.

³⁷ J. R. Hicks, *The Theory of Wages* (2d ed. New York: St. Martin's Press, 1963), pp. 140-47.

and apparently no offsetting cost such as that associated with a strike is in the picture.

Resistance by the employer to a demand for shorter hours by a union will be very strong even in the face of a strike threat if he is convinced that it will be virtually impossible for him to offset increased costs with improved efficiency within a relatively short period of time. This is true since the costs attendant upon shortening hours would then loom as more or less permanent additions to total costs and subtractions from profits. Consequently, the cost of a possible strike would seem small by comparison. Obviously, the above reasoning and position of the employer will be most likely to be in evidence if the demand for his product is relatively elastic. Other things being equal, the more inelastic the demand, the less effect any increase in costs is apt to have on output, employment, and profits.

In concluding this section on economic aspects of changes in hours, it should be pointed out that a cut in hours does not of itself affect scales of living or employment levels. Instead, the ultimate effects upon living scales and employment depend upon the wage increase which accompanies the shortening of hours, the change in unit costs which the wage increase makes necessary, and the eventual impact which the change in unit costs has upon prices and consumer demand. The most significant question, then, is whether the expansion of unit labor costs is equaled or exceeded by increases in man-hour productivity.

FUTURE OF WORKING HOURS

In estimating developments which may be impending with respect to working hours in this nation, some important clues probably exist in the historical trends with respect to hours and in the major determinants of working hours and their probable influence in the future. On the basis of the past 130 years or so, the long-run trend in hours has definitely been downward. Thus, if history alone be considered, it would seem reasonable to conclude, as has Professor Yoder, that working hours in this country should decline by an amount approximating one fourth of the annual increase in manpower productivity, or roughly by about one half of 1 percent per year.³⁸ At this rate, working hours by 1975 would be approximately 22 percent shorter than they were as of 1960. The decline could come in a variety of ways, of course. That is, the work week could be shortened, the workday could be shortened, vacations and holidays could be expanded, or some combination of all these methods of shortening hours could conceivably be the ultimate result.

³⁸ Dale Yoder, *Manpower Economics and Labor Problems* (3d ed.; New York: McGraw-Hill Book Co., Inc., 1950), p. 318.

However, it is often dangerous to project simply on the basis of historical trends alone, just as it would be foolhardy to neglect historical aspects in forecasting the future. Just because the long-run trend has been downward does not mean that this must continue to be the case. Working hours could level off, reverse their long-run trend, or continue to decline at the same, a greater, or a lesser rate of speed than in the past.

Possibly of greater importance with regard to future working hours developments will be what transpires relative to certain major determinants of working hours. These major determinants would include the collective desires of individuals in the nation concerning the respective merits of more leisure time as opposed to higher scales of living, the predominant attitudes of organized labor groups with respect to working hours, developments in man-hour productivity over the economy as a whole, possible legislative influence upon working hours, the prevalence of cyclical fluctuations in employment and economic activity, and developments on the international front in so far as diplomatic relations are concerned. These determinants will be briefly discussed with a view to making a tentative forecast concerning developments in working hours over the immediate future.

National Preference for Leisure

This is obviously a very intangible determinant which defies precise analysis. In a sense, it is a reflection of a collective searching, as it were, for the "optimum" length of work week as well as the "optimum" amount of leisure time. Here, "optimum" work week does not necessarily refer to the best length of week purely from the standpoint of output. The worker and society in general have interests other than simply the maximization of the production of goods and services. As Professor Dankert has noted, probably only in a major war emergency would the output optimum length of workday approach what is collectively thought of as the "best" length of workday.³⁹ In peacetime years the length of workday or week held to be ideal by society collectively would probably be demonstrably shorter than that indicated solely by output considerations. Thus, if the average maximum output week could be precisely determined for industry presently existing in the United States, the work week thus determined would probably be in excess of 40 hours. On the other hand, the average length of work week is actually and markedly under 40 hours when all the indirect encroachments upon the length of working time are taken into account.

In deciding upon what would be the "best" length of work week, the

³⁹ Clyde Dankert, *Introduction to Labor* (New York: Prentice-Hall, Inc., 1954), pp. 533-40.

individual and society tend to consider a longer time period on average than does the individual employer. As John Bates Clark observed in the early years of this century, "if you want a man to work one day, and one day only, and secure the greatest amount of work he is capable of performing, you must work him 24 hours."⁴⁰

Clark went on to conclude that if the work period be increased to one week, hours must be reduced to 20 per day; if the work period is to be one month, working hours must be cut to 18 per day; if the work period is to be one year, the hours per day must be further reduced to 15; if the work period be expanded to include several years, 10 hours per day should be the rule; finally, if the work period under speculation is a worker's lifetime, the daily hours should not exceed eight per day.

Whether Clark was speaking categorically or attempting to be scientifically precise is immaterial. What is important is his realization of the fact that in determining the optimum length of workday in terms of output, the length of the work period is of great importance. It should be noted that one source of conflict with respect to hours is the distinct possibility that the period over which the individual firm may want to maximize production of a given worker is considerably shorter than the time period of greatest concern to the individual and/or the society. As a result, in the absence of any real ability of the work force to indicate its preferences, the employer may very well be guilty of working his employees excessively long hours. The danger herein would tend to decline in all probability as working hours in general become shorter within an economy, at least in so far as the majority of workers is concerned.

By the same token, decisions concerning working hours may err in the direction of cutting them too abruptly because of the fact that persons or groups making or influencing such decisions may be overly influenced by the more apparent gains in increased leisure while being more or less unaware of the possible effects of their decisions upon real income and scales of living. As a result of this lack of knowledge, it is possible that the desires of society, collectively, for more leisure time may result in too rapid a decline in working hours and thus, perhaps, too pronounced a negative effect upon living scales.

The crucial question here would seem to be: How much value will be placed by individuals within this nation, collectively, upon added leisure time as opposed to further additions to real income? There is some evidence that at least a portion of the working class may feel already saturated with leisure time if the increasing tendency to hold more than one job is any indication.⁴¹ On the other hand, it is quite true that much evidence exists to support the position that while the individuals within

⁴⁰ John Bates Clark, *The New Encyclopedia of Social Reform*, W. D. P. Bliss and R. M. Binder (eds.) (3d ed.; New York: Funk & Wagnalls Co., 1910), p. 430.

⁴¹ Holding of a second or third job has come to be referred to as "moonlighting" in the United States.

the working class may not want shorter workdays or work weeks per se, they might welcome longer (paid) vacation periods which will afford them opportunities for travel and other forms of recreation which a slightly longer week end could never make possible.

In view of the past, and in view of scattered bits of evidence in the present, it is quite probable that at least the majority of working-class members will continue to demand, in the immediate future, more leisure time, such as can be made possible through longer vacations. Thus, the national preference for more leisure time, so evident in the decades past, will probably continue to exist over the immediate future. It may very well be that the shorter hours per year which this preference may bring, and possibly the shorter hours per day or week per job which it may stimulate, may result in furthering the tendency of individuals to hold

Table 6-1 Employed persons with two jobs or more, by sex, 1956-66

Month and Year	Number (thou- sands)	Persons with Two Jobs or More		
		Multiple Jobholding Rate ¹		
		Both Sexes	Men	Women
May 1966.....	3,636	4.9	6.4	2.2
May 1965.....	3,756	5.2	6.7	2.3
May 1964.....	3,726	5.2	6.9	2.1
May 1963.....	3,921	5.7	7.4	2.4
May 1962.....	3,342	4.9	6.4	2.0
December 1960 ²	3,012	4.6	5.9	2.0
December 1959.....	2,966	4.5	5.8	2.0
July 1958.....	3,099	4.8	6.0	2.2
July 1957.....	3,570	5.3	6.6	2.5
July 1956.....	3,653	5.5	6.9	2.5

¹ Multiple jobholders as percent of all employed persons.

² Data for Alaska and Hawaii include beginning 1960.

Source: Harvey R. Hamel, "Moonlighting—An Economic Phenomenon," *Monthly Labor Review*, October, 1967, p. 19.

more than one job and for more than one individual per family to be gainfully employed outside the home.

As may be seen in Table 6-1, the number of gainfully employed reported as moonlighters has fluctuated between about 3 and 4 million with the percentage of the gainfully employed so engaged fluctuating between 4.9 and 5.5 percent. The rates for men have tended to be almost three times those for women as might be expected. There does not seem to be a pronounced trend in the direction of more moonlighting, however, despite contentions to the contrary. It is also obvious that to date

only a small proportion of the gainfully employed engage in moonlighting. In this connection, however, it should be noted that the figures are probably on the conservative side since many second and third jobs may not be reported for one reason or another. Average hours worked on the second or third job by moonlighters have varied between 11 and 13 hours per week with the latter figure holding for 1966. It has long been contended that shortening the work week still further would cause a big increase in the degree of moonlighting. However, the Bureau of Labor Statistics study in 1966 did not provide evidence for this contention.⁴² Thus, in nonfarm industries, persons working 35 to 40 hours per week on their regular job were no more apt to be moonlighters than were persons working from 41 to 48 hours on their regular job.

Policies of Labor Unions

Another variable which may have a bearing upon future working hours developments is that of the hours policies of dominant labor organizations. While doubt has been expressed by some writers concerning the actual influence which unions have had upon working hours, probably a majority has been convinced that labor unions have had some influence—at least in speeding up developments in working hours which might have taken place over longer periods. Traditionally, the platform of predominant labor unions has been one favoring higher wages and shorter hours. There is no indication that this policy has been changed or that it will soon be changed within union circles. The AFL-CIO has gone on record in convention proceedings that the thirty-hour week is one of its major long-run goals. The Federation has been working of late to require by law the payment of overtime rates on hours in excess of 35 per week. Early in 1963 the Steelworkers Union won 13-week paid vacations every five years for about half the hourly paid workers in the steel industry who have sufficient seniority. In the aluminum industry the Steelworkers won 10-week paid vacations for most union members every five years plus three weeks' extra pay for such workers during the long-vacation years. Some union spokesmen have spoken of an eventual "sabbatical year" with pay for every employee having ten years or more of service with the firm. Thus, the dominant unions may be searching for ways out of the seeming paradox which exists between the goal of the union leadership for shorter hours in order to spread jobs around as many workers as possible and the goal of the union member for more time with his family and, incidentally, for the holding of more than one job. All in all, it would appear safe to conclude that by whatever route,

⁴² For a more complete discussion of this interesting matter of moonlighting, see Harvey R. Hamel, "Moonlighting—An Economic Phenomenon," *Monthly Labor Review*, October, 1967, pp. 17–22.

organized labor can be expected to press for shorter working hours in the future.

Developments in Productivity

By all odds, probably the most important determinant of the future trends in working hours will be that of developments in overall productivity within the economy. This is true because sizable reductions in working time cannot take place without marked sacrifices in real income unless there have been sizable upward revisions in man-hour productivity in general. It is the ability of the economy to expand output of economic goods per hour which really creates the situation in which the people of such a nation can literally cut down their working time and still raise their average scale of living. Cautious estimates hold that in the immediate future the economy can be expected to increase man-hour productivity from 2 to 2½ percent per year or, in other words, at about the same rate as has been characteristic of the past. Other forecasts tend to be more optimistic rather than more pessimistic than the aforementioned predictions. This being the case, and remembering the proclivity of the people of the nation to take a minor portion of increased productivity in the form of more leisure time, this determinant would seem to point also to shorter work weeks and work years in the immediate years ahead.

Legislative Influence

Remembering that the federal Wage and Hour Law of 1938 probably exerted some influence, at least in peacetime years, in the direction of limiting weekly hours to 40, it is highly possible that some future revision of the law might further limit working hours and thus add to the pressures of other groups in this direction. With the political influence of labor organizations being of rather large proportions, it is not outside the realm of reason to foresee a day when premium pay for overtime may start legally at, say, 35 hours rather than 40. This probably will not be a major hours-shortening factor so much as it may be a consolidating or mopping-up factor which will bring lagging firms and/or industries within the 35-hour-week limits, just as the 1938 law did with respect to the 40-hour week.

It should be noted that the Kennedy Administration opposed vigorously the starting of overtime pay after 35 hours per week. On the other hand, President Johnson suggested in 1964 that pay for hours in excess of 40 per week should be at double-time rates instead of at time-and-a-half rates. President Johnson's avowed purpose was that of discouraging overtime work in order to relieve unemployment.

Cyclical Fluctuations

As was observed earlier, pronounced downward cyclical fluctuations in employment and economic activity have in the past served to bring about a short-run reduction in working hours at variance with the more gradual long-run reduction therein. Thus, if the future be characterized by a depression of the 1930's variety, it is highly possible that major temporary reductions in working hours could occur. On the other hand, if sustained periods of high-level economic activity are achieved by the economy, this determinant's influence will thereby be minimized. If the downward fluctuations are confined to the more shallow recession as opposed to the deeper depression variety, the length of the down phase will not be great enough to materially affect working hours. Furthermore, if the guaranteed annual wage continues to spread among major industries, this in itself may tend to alter traditional "share the work" approaches of trade unions. This became apparent for the first time in the 1957-58 recession, when unions in the steel and automobile industries argued for maintenance of working hours, the use of more layoffs, and the dipping into guaranteed annual wage trust funds plus unemployment compensation to ease the pain of unemployment. In this seeming break with past approaches, the unions were attempting simultaneously to please most of their members by keeping their hours up and to aid the less secure members via the guaranteed annual wage which had been negotiated in 1955. If, as postwar experience would tend to indicate, the economy has solved the problem of major depressions and is able to confine future cyclical fluctuations to moderate proportions, it would be fairly safe to conclude that this development plus the spread of guaranteed annual wage plans would result in fewer short-run deviations in working hours from the long-run trends. Persistent high levels of unemployment in the first half of the 1960's and some ominous forecasts of still higher rates in the post-Vietnam War years may cause sizable downward movements in working hours, however. Thus, there is considerable uncertainty with respect to the future influence of this determinant of the work week.

International Relations

One of the key determinants of the course taken by working hours in this nation over the years to come will certainly be that of international relations. As has been noted earlier in the chapter, major war has tended to result in marked upward fluctuations of working hours in the short run. In past war periods, these fluctuations have been relatively brief as to duration, subsiding quickly after the close of the war effort. It should

be recalled, however, that major wars involving this nation thus far in the twentieth century have been fought outside the continent and have not resulted in direct damage to housing or productive facilities within the nation's borders. In the event that another major global war should occur in the future, productive facilities, transportation media, and residential construction would all undoubtedly be directly affected by enemy bombing of one type or another. The end result, of course, could very well be such a lowering of productive capacity in this nation as to necessitate not only much longer working hours during such a war period but a continuation thereof for years after the war period to enable the nation to recover lost ground as to living scale. It is thus apparent that many aspects of the economy depend upon the ability of international diplomats to avert major international conflicts: real wages, living scales, working hours, working conditions, and leisure time—to note just a few.

In reviewing all the factors or determinants noted above and making the following assumptions: continued interest on the part of the society in more leisure, at least average developments in man-hour productivity, the continuance of mild legislative influences in favor of shorter hours, the avoidance of severe depression conditions, and the perpetuation of at least a semblance of world peace, it would seem logical to conclude that the immediate future will see a further decline in working hours. The decline may come in the form of a shorter work week, as several have predicted. Or the decline may take place more with respect to annual working hours, as Professor Chamberlain and others have indicated: "It seems safe to predict that a shorter average workweek—it would perhaps be more meaningful to refer to it as a shorter work year—is coming, and that its consequences are likely to be beneficent to society rather than harmful."⁴³

As in the past, the decline in working hours will bring its problems as well as its benefits. Problems attendant upon the possibly increasing tendency of individuals to hold multiple jobs will be present. The high cost of extra days of leisure for the typical worker may produce still more aggressive demands from him and his union for higher wages. Either the four-day week and/or the longer paid vacation presents increased scheduling problems for management. Further downward adjustments in working time may involve the problem of teachers and students in schools also wanting a shorter school week in a time when increasing emphasis upon education would seem to be imperative.

In conclusion, it may be noted that there are several factors which might work either as braking or offsetting influences with respect to the

⁴³ Chamberlain, *op. cit.*, p. 526.

possibility of a too rapid decline in working hours. Thus, factors which might exert a braking influence would include the possible wishes of rank-and-file workers and/or their families, and the resistance power of the employer to unreasonable demands for shortening hours. Acting as an offsetting influence would be the continued climb in man-hour productivity which, to date, has virtually enabled the economy to reduce the work week and still raise its per capita real income. Who in 1900 would have believed that over the next half century the nation would cut its working hours by more than a third and still improve its average living scale spectacularly?

Leisure-Oriented Society?

The emphasis in this chapter has been on the long-run decline in *nominal* working hours for most wage-and-salary employees. Implications stemming from such a discussion may well point to the conclusion that the society is almost on the verge of a life of leisure and many interested persons fearfully contemplate whether this vast leisure will be used constructively or destructively. It should be noted before concluding this discussion that the limited sample emphasized here both as to persons and hours may have biased some of the conclusions.

For example, there may be quite a difference between *nominal* and *actual* hours worked when it is remembered that many persons now work more than one job with a median average work week of about 53 hours when both the regular and the moonlighting working hours are combined. It should also be remembered that professional and managerial individuals in the economy may be working almost as many hours as ever before and may continue to work these hours in the foreseeable future. Additionally, many blue-collar and white-collar employees may be working over-time hours for which they receive premium pay. Finally, the big increases in employment since World War II have been accounted for by married housewives and mothers. When their paid working hours outside the home are added to their working time spent on household duties, they may very well be found to be working almost as long a week as their great grandmothers of 1900.

Regarding the observations just noted, some recent students of the problem have observed that between 1948 and 1965, the proportion of full-time nonfarm employees working more than 48 hours per week more than doubled; i.e., about 9.4 million employees or 19.7 percent of the full-time nonfarm work force worked more than a 48-hour week as of 1965.⁴⁴ Another observation sees the skilled urban worker who it in short

⁴⁴ Peter Henle, "Leisure and the Long Workweek," *Monthly Labor Review*, July, 1966, pp. 721-27.

supply putting in almost as many hours per year as did his 13th century counterpart.⁴⁵

So, while the trend in *nominal* working hours has definitely been downward and while millions of people probably enjoy more leisure time than did their forbears of a half century back, the economy as a whole may be working a rather surprising total of productive hours per year. At least it is an interesting aspect of the modern industrial economy to ponder.

SUMMARY

From the amazingly long hours—15 to 20 per day—in early industrial firms, working hours in this country have declined to an unbelievable average of about 35 hours per week on an annual basis, although the 40-hour week is still referred to as the “normal” work week. This trend toward shorter hours has been gradual or evolutionary in nature, with decades required for the attainment of each milestone by the majority of firms and workers. The shortening of hours has involved both direct approaches—cutting the number of hours per day or per week, *per se*—and indirect approaches—paid vacations, holidays, rest pauses, and the like. The latter have been especially prominent since 1930, a period characterized by growing union influence.

If any marked reductions in hours are to be accompanied by continued increases in the average scale of living, there must be marked advances in man-hour productivity. This has occurred in this nation, as is made evident by the current high scale of living, on average, and the current short workday and work week. Shorter hours which are made possible by rising productivity will not necessarily become an eventuality, however, unless there are forces working for the decline in hours. These forces have generally consisted of labor organizations, humanitarian, political, and social leaders, and a minority of farsseeing employers. Of the three, labor organizations have probably exerted the greatest pressure for shorter hours. On an aggregate basis, decisions concerning working hours represent compromises between the desire on the part of people in a nation for more leisure time versus their desire for more goods. This nation has tended to take the major portion of its rising man-hour productivity in the form of more goods, with a minor portion (25 to 40 percent) being taken in the form of more leisure time. Future developments in working hours must depend upon what happens to major determinants: the national preference for leisure, the policies of

⁴⁵ Harold L. Wilensky, “Impact of Change on Work and Leisure,” excerpts from paper presented at McGill University’s Conference on Human Values and Technology, *Monthly Labor Review*, September, 1967, pp. 21–22.

dominant labor unions, the gyrations of the business cycle, and especially developments in international relations and man-hour productivity.

DISCUSSION QUESTIONS

1. In view of the alleged presence of the "invisible hand," why did working hours in the towns increase so markedly with the coming of industrialization?
2. Since this nation is obviously producing more goods per person per year with a very short average work week, why do employers resist shorter hours so vigorously?
3. Why do figures which show that working hours have declined in union and nonunion firms alike fail to prove that unionism has had no effect upon working hours?
4. What are some valid arguments which might be advanced today in favor of still shorter work weeks or work years? Note some valid arguments to the contrary.
5. Discuss the possible variables which might influence the length of the "optimum" work week (*a*) from the standpoint of economic considerations and (*b*) from the standpoint of workers' health.
6. It has been noted that the "optimum" work week and the "maximum" work week are not synonymous. Why?
7. In your opinion, has the decision of this nation to allocate a major proportion of its increased ability to produce in the form of more goods and services been about right, or have either goods or leisure time been over-emphasized?
8. If, in a nation, average working hours are currently below maximum output hours, what would be the effects of a sudden decline in average working hours? What are some factors which tend to minimize this problem?
9. In your opinion, will future declines in working hours—assuming they do come—take the form of shorter workdays and work weeks as such, or will they take the form of longer vacations or more paid holidays? Why?
10. Should working hours in the immediate future be increased to enhance the chances of this country to maintain its production lead over Russia? If so, how would you propose to handle this matter?

SELECTED READINGS

- BAKKE, E. W.; KERR, C.; and ANROD, C. W. *Unions, Management, and the Public*, especially Section 10. 3d ed. New York: Harcourt, Brace & Co., Inc., 1967.
- DANKERT, CLYDE E.; MANN, FLOYD C.; and NORTHRUP, HERBERT R.; editors. *Hours of Work*. New York: Harper & Row, Publishers, 1965.
- GRAHAM, BENJAMIN. *The Flexible Work-Year: An Answer to Unemployment*.

Santa Barbara, Calif.: The Fund for the Republic, Inc., Center for the Study of Democratic Institutions, 1964.

HICKS, J. R. *The Theory of Wages*. 2d ed. New York: St. Martin's Press, 1963.

PIGOU, A. C. *The Economics of Welfare*. 3d ed. London: Macmillan & Co., Ltd., 1929.

REDER, MELVIN. "The Cost of a Shorter Workweek," *Proceedings of Ninth Annual Meeting of Industrial Relations Research Association, 1956*, Publication No. 18 (Washington, D.C., 1957), pp. 207-21.

U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS. *Hours of Work and Output*. Bulletin No. 917. Washington, D.C.: U.S. Government Printing Office, 1948.

WILENSKY, HAROLD L. "The Moonlighter: A Product of Relative Deprivation," *Industrial Relations*, Vol. 3, No. 1 (October, 1963), pp. 105-22.

WORKING CONDITIONS

The general area of industrial working conditions constitutes still another problem area with economic ramifications attributable to the effects of industrialization. This becomes evident from a glance either at modern legislative phraseology or at current labor/management contracts. In both instances, mention is made frequently of various aspects of wages, hours, and *working conditions*, thereby according a somewhat equal treatment of these problem areas.

As in the case of worker remuneration and hours of work, industrialization largely removed control over general working conditions from the individual or the family and transferred it elsewhere—to the employer, to the larger group via collective bargaining, and to society itself in so far as legislation is concerned. Industrialization, with its resulting methods of mass production, has meant that working conditions as well as wages and hours must be more or less uniform—at least for large segments or classes of workers. It should be apparent that the changes just noted naturally gave rise in the free enterprise industrial society to questions as to what kinds of working conditions should prevail for industrial employees as well as how and by whom the said working conditions should be determined.

Obviously, the problem area of working conditions possesses facets which are at once economically, sociologically, psychologically, and politically oriented. While each of these aspects figures importantly in actual work situations, emphasis will here be directed primarily toward the economic facets.

From an economic viewpoint, most improvements in working conditions typically involve an initial increase in costs for the firm. In turn, many improvements in working conditions may contribute ultimately toward a raising of man-hour productivity. Others, however, may cost more than they could possibly yield. The employer, of course, is always cost-conscious and can be expected to resist any suggested changes in working conditions which might result in rising costs. If he could be sure

that the changes in question would produce enough of an increase in productivity ultimately to pay for themselves or more, the employer's resistance would be considerably reduced. In most instances, however, a great deal of uncertainty and skepticism tend to surround the end results of proposed alterations in working conditions.

It will be recognized, too, that serious clashes can develop in this area between the economically oriented objectives of the employer, which may be relatively short run in nature, and longer run goals of workers and/or society, which may involve at once a combination of economic, psychological, sociological, and political considerations. That is, for a given employer to institute a particular improvement in working conditions might very well entail an outlay of expenditures which he could not hope to recover. Yet, from the standpoint of the workers' desires or their health and well-being, the improvement might appear to be of paramount importance. Society itself might also support such a change if it were to hold forth the promise of improvement of workers' health and general welfare. It should be noted, too, that if the employer succeeds in avoiding the costs of maintaining good working conditions, such costs may merely have been shifted to society in the form of relief payments and the like for injured workmen. On the other hand, by insisting on good working conditions, workers and/or their unions may be locating responsibility for the costs involved somewhat closer to their source. The question ultimately could be resolved presumably by forces of the labor market, but such forces may be quite slow to bring about some changes which are considered highly desirable. Consequently, it is not surprising to find workers and their organizations pressing for many changes in working conditions which are held as costly by the employer and which he would perhaps not have instituted for a considerable stretch of time if the only pressures present had been those of the labor market.

A related economic aspect of this problem area involves the question of the final resting place of the cost of improvements in working conditions. Obviously, the employer cannot and will not bear such costs indefinitely. This leaves the work force and the consumer as ultimate bearers of such costs. If it be the workers who bear the costs in the form of lower wages than would otherwise have been possible, it might well be considered a fair exchange by them, assuming that they value the improvement in working conditions more than the sacrifice in pay. It is probable, however, that if such an exchange does take place, it would not be detected by the rank-and-file employee. The employer's ability to shift the costs of improved working conditions to the consumer would depend, in part, on the elasticity of the demand for the employer's product. Other things being equal, the ability to shift such costs would vary inversely with product demand elasticity. Additionally, the universality of such costs or the lack thereof would be of importance. The more

universal such costs are, the greater the freedom of employers to shift them forward, other things being equal.

On the other hand, if it be the consumer who bears the costs of improvements in working conditions via inflated commodity prices, the questions which emerge are those concerning just how much consumers should be taxed for such improvements and whether the end result is the most equitable distribution of benefits and costs of the improvements in working conditions. That is, if a given group of workers, by the use of highly organized and aggressive bargaining power, succeeds in improving working conditions beyond the realm of reason in so far as needs or even desires of the work force are concerned, this means that other groups, less highly organized and powerful, have their real income impinged upon by resultant inflationary rises in the cost of living.

Despite the problems noted above, work groups—especially organized work groups—can be relied upon to continue to press for improvements in their conditions of work. This is in part due to the fact that market forces have been observed to be less effective in improving such aspects of employment than they have been in raising wages. The fact that working conditions must necessarily be more uniform than wage rates and the fact that they can be changed only in relatively large chunks in contrast to more minute wage changes tend to render market forces less effective in the area of working conditions (and hours) than in the area of wages.

The primary forces which have produced most of the improvements in working conditions in the past have been those of organized labor, farseeing employers, and society itself through legislation.¹ Of these forces, probably the most potent has been that of organized labor. While wages and hours were the first aspects of employment bargained over by labor unions, working conditions were quickly added to their list. Many students of collective bargaining consider that unions may well have been much more effective in improving working conditions than they have been in raising real incomes of workers. Thus, Professor Clark notes: "Economists today probably discount union power to raise the general level of real wages as being overrated, and judge that their greatest value lies in protecting workers' human rights on the job."²

Employers can be expected typically to resist potential changes in working conditions either because they honestly believe they are unnecessary or because they fear that the marginal costs thereof will outweigh their marginal revenues. On occasion, however, a minority of employers

¹ Economically speaking, of course, it has been rising man-hour productivity which has made marked improvement in working conditions *possible*; the institutions noted have merely made *actualities* out of possibilities.

² J. M. Clark, *Economic Institutions and Human Welfare* (New York: Alfred A. Knopf, Inc., 1957), p. 62.

has taken the initiative in improving working conditions. In some instances the motivation may have been economic in nature, where the employer honestly felt the improvement would enhance productive efficiency markedly. In other instances the employer may have been trying to forestall the organization of his work force or perhaps striving for the prestige attendant upon being known as the "best place" within the area in which to work. Even if the latter sociopsychological factor were the prime motivation, however, this might have long-run favorable economic consequences if it results in the maintenance of a superior work force whose efficiency means lower than average hourly wage costs as distinguished from wage rates. Whatever the motivation, a minority of employers in each decade must be added to organized labor and government as forces instigating improved working conditions.

Political or legislative action in this area has chiefly taken the form of state safety laws requiring periodic inspection of plants to insure use by the employer of legally prescribed safety devices and procedures. Other types of legislation would include laws requiring special facilities for women employees and legislation restricting or regulating industrial homework conditions. Thus, governing agencies have concentrated on regulations which have either been concerned with major threats to the health of workers generally or the health and welfare of some of the weaker bargaining groups within the working class, such as women or children. Other changes in working conditions which go beyond the most vital aspects covered by law have been left by governmental bodies to be dealt with by organized labor, the employer, or the market place.

In the succeeding sections of this chapter, individual aspects of working conditions will be discussed. Especial note will be taken of predominant changes in these aspects which have been gradually introduced by organized labor, by the employer, and by legislation.

Physical Conditions

Physical working conditions, as the term is used here, include such items as heating, lighting, ventilation, cleanliness, sanitary facilities, infirmaries, adequate working room, pleasantness of the workplace, and even the quality of fellow workmen. Under English common law, which evolved over the centuries and was based upon judicial precedent, sole control over such working conditions facets was vested in the employer. The employer was required, of course, to maintain certain minimum standards of quality under the common law, but these standards were not too rigid and were difficult to pin down, at best. To be more specific, the common law required that the employer go as far as any "reasonable man" could be expected to go in maintaining a safe workplace, equitable working rules, an adequately trained work force, adequate instruction

for inexperienced workmen, and safe tools, equipment, and machines.

As long as production was carried on in the small cottage factory, and before the advent of the use of dangerous machinery, chemicals, poisonous matter, and the like in the manufacturing process, the general restraints placed by common law upon the employer with respect to working conditions may have served reasonably well. With the coming of industrialization, however, the total working environment began to change: Manual production increasingly became machine production; the workplace of the few became the workplace of ever-larger groups; speed of production became more and more a matter of employer or machine determination rather than worker determination. Under these conditions the old common-law institutions quickly proved inadequate as guarantors of safe, pleasant, and comfortable physical working conditions.³

With industrialization, it became increasingly apparent that since human labor and the human body and personality are inseparable, the type of physical working environment which exists can have major effects upon such matters as productivity and ultimately the overall profitability of the employing unit. Many employers who discovered this on their own gradually took steps toward improving the physical conditions of work. Certainly, the enlightened personnel management movement of the post-World War I period was due in part to this type of discovery. Others waited to be forced or influenced by competition, legislation, or collective bargaining to bring about such improvements.

As pointed out earlier in this chapter, forces of the market place—competition—were probably not too significant in causing major improvements in physical working conditions. This is not to say that such forces had no effect. Undoubtedly, most labor markets witnessed the introduction of some improvements by an employer who found it necessary to “keep up” with his rivals. Of greater importance, however, were the federal, state, and local enactments which began to appear early in the nineteenth century, requiring employers to observe minimum stipulated standards of sanitation, health, and safety in the more hazardous workplaces such as mines, factories, and mills.

Probably of greatest significance, however, was the increasing attention given to physical working conditions in collective bargaining by labor organizations. The present century has seen the typical labor contract enlarged to include provisions requiring the employer to furnish specific safety devices and/or special work clothing, first aid and sanitary facilities, and group health and accident insurance. Many labor contracts also contain provisions for the setting-up of joint union/management

³ Some might argue that common law *never* succeeded in guaranteeing good working conditions.

safety committees for the promotion of accident prevention and minimization. Often the employer has strongly resisted what he has felt to be an encroachment by the union upon his prerogatives, but the fact remains that the physical conditions of work have been and are affected by collective bargaining. Numerous employers may have adopted many improvements in working conditions in an attempt to satisfy their employees to the point where they would feel no need to organize. Thus, these employers, too, have probably been indirectly influenced by collective bargaining to modernize physical surroundings of work.

Apprenticeship

Often associated with working conditions has been the responsibility of the employer to train fellow workers and so many apprenticeship training programs have been instituted by employers. Craft unions have traditionally taken some responsibility even for the training of fellow workmen, a responsibility lodged entirely with the employer by English common law. Many craft unions have set up various regulations for the hiring and training of apprentices. Perhaps about a fourth of such unions in the United States now take an active part in this type of endeavor. While some of the motivation behind the craft unions in their insistence upon apprenticeship regulation may have been an earnest desire to see that fellow workmen are competent and reliable workmen and/or to offset certain abuses by the employer, it is probably safe to conclude that mingled with this motivating force has been the self-seeking desire of the group monopolistically to exercise controls over entry to the trade and over the supply of a given grade of labor at a given time and place.

In accordance with the above observation, many craft unions have sought to control the ratio of apprentices to journeymen which the employer may maintain, with ratios of 1 to 4 and 1 to 8 being common. A 1967 study of the economic impact of union control over apprenticeship training programs indicates that this role may have been exaggerated; e.g., it was found that the number of new apprenticeship registrants does vary inversely with the level of unemployment in the economy as a whole and, in the case of construction apprentices, the apprentice-completion rate varies directly with wage differentials between skilled and semiskilled workers.⁴ Absolute limits on the total number of apprentices who may be employed are found in some agreements, while in other instances wage rates for apprentices may be set so high as to make them unprofitable for the firm to hire. It should be noted here that apprentices are usually costly to the employer since during the first two years of an

⁴ David J. Farber, with discussion by A. Harvey Belitsky and Jack Barbash, "Apprenticeship in the United States: Labor Market Forces and Social Policy," *The Journal of Human Resources*, V. II, No. I, Winter, 1967.

average four-year apprenticeship, they may not be productive enough to be profitable and, once they become journeymen, they may not elect to stay with the firm. Partly as a solution to the problem of nonproductive apprentices, some unions have been experimenting in recent years with preapprenticeship training programs.

Thus far these programs have been largely confined to the trowel trades and extend over four to six weeks in off-the-job training centers.⁵ This approach also gives the union an opportunity for screening all persons who aspire to becoming skilled craftsmen. Another common requirement in the labor contract in re apprenticeship deals with the length of apprenticeship status. It is shorter on average today than in former periods but the current range of two to four years may still be too long in light of technological developments, thus reflecting a degree of union monopoly power as well as some inertia or cultural lag, perhaps.

A nationwide survey by the Department of Labor in 1962 of training programs for industrial workers disclosed that about 131,300 apprentices were then in training, excluding those unemployed, those waiting for reassignment to a new employer, those temporarily working at other jobs, and those employed in firms outside the scope of the survey. The findings were representative of 711,000 establishments employing 37 million workers. Trades found to have the largest numbers of apprentices in training were plumbing and pipefitting (13,500), electrician (10,900), machining (10,800), and compositing (9,800). Others with numerous apprentices were tool and diemaking, mechanics, sheet metalworking, and carpentry.⁶

The Bureau of Apprenticeship and Training in Manpower Administration of the federal government reported as of the end of fiscal 1966 that 185,000 apprentices were registered for the largest total since 1958. About half the increase since 1958 was accounted for by building and construction along with the metalworking trades. As of 1966 the construction and building trades had 115,000 registered apprentices with the metalworking trades claiming 34,000 and the printing trades 11,700. Over 25,000 apprentices completed their training during 1966. Since 1964, when the Secretary of Labor announced new regulations in the selection procedures used in connection with apprenticeship applicants, there has been a slow but marked difference in prevailing attitudes toward the acceptance of minority groups in apprenticeship training. Thus, the federal legislation of 1964 directed toward this end appears to be having some effect but much remains to be done.

⁵ See Felician F. Foltman, "Apprenticeship and Skill Training—A Trial Balance," *Monthly Labor Review*, January, 1964, pp. 28–35.

⁶ *Training of Workers in American Industry*, U.S. Department of Labor, Manpower Administration, Bureau of Apprenticeship and Training, Research Division Report No. 1, 1962, pp. 56–71.

The Negro worker's inability to enter apprenticeship training programs stems from two sources, namely: outright discrimination against nonwhite workers by unions and/or employers; and inadequate or insufficient educational background. In regard to the first source, even though the union's national leadership and constitution may now favor integration, strong objections still come from local union rank-and-file membership. Relative to educational background, most apprenticeship training programs have restricted applicants to high school graduates, a condition which eliminates most Negroes. Additionally, unions often give preference to blood relatives or close friends of present members. This issue reached fever pitch in the summer of 1969 as Negro groups in several cities tried to shut down public construction projects in an attempt to capture their share of skilled workers' jobs. This move began in Pittsburgh, where only 2.5 percent of skilled construction jobs were held by Negroes even though they constituted about 20 percent of the population. In Chicago, where Negroes constitute about 30 percent of the population, less than 8 percent (perhaps as low as 3 percent) of the skilled construction jobs were held by Negroes. Conflict possibilities are understandably rife in this confrontation since acceptance of a given number of Negro apprentices is apt to be viewed by incumbent whites as necessitating a rejection of an equal number of white skilled workers or applicants. Thus, the contest for employment and income here approaches the "nitty gritty" level.

Craft unions have been found attempting to keep the employer from freezing an apprentice on a task he has mastered instead of giving him the overall training which is his due, a practice which results obviously in cheap labor for the employer. Skilled workers' unions also ostensibly attempt to protect the public from apprentices who jump their training period and try to pass prematurely as journeymen. In this connection the craft unions have often tried to secure the passage of state licensing laws, again ostensibly to protect the public. Groups such as plumbers, barbers, electricians, firemen, and motion-picture machine operators have been especially active in this latter sense. While both the foregoing activities are purportedly in the public interest, in actuality they are probably carried on by the craft unions primarily to limit entrance to the trade by making certain that the trade's apprentice-training regulations are adhered to, even though unnecessarily long and detailed.

Industrial unions, historically, have been content to leave the training of workers to the employer. In recent years, however, as automation has increasingly threatened job security, industrial unions have evinced an interest in the training of workers for the new jobs which are emerging. The basic motivation here appears to be that of preservation of employment for members of the union and/or preservation, perhaps, of the union itself. It is still safe to conclude that union interest in worker

training is at its peak within the craft unions—especially those in the building trades and printing.

Work Pace

Prior to industrialization, the pace or speed of work was largely determined by the individual in terms of his physical stamina and his ambition. With the coming of the modern industrial factory, however, the speed of work has inevitably come to be of necessity more uniform and less subject to the will of the individual worker. Hence, two very crucial questions are raised: What is the proper or most desirable speed of work in a given situation, and by whom is this decision to be made?

Early decades of industrialization in every nation have seen the question of work speed decided by the employer—subject, of course, to whatever restraints might be imposed upon the employer by the competitive forces of the labor market. Since these forces generally were not potent enough or swift enough to adjust work speed to the satisfaction of the worker, increasingly labor organizations undertook to bargain over this aspect of working conditions. Often workers through their unions were motivated to bargain over the work pace as the employer yielded to the temptation to abuse his control in this respect. In this connection two devices were often utilized by the employer—the *speed-up* and the *stretch-out*. Under the speed-up device, the employer forced workers to increase their work pace and so to increase production without an increase in their compensation. Under the stretch-out approach, which originated in the textile industry, the number of machines tended by each worker was increased with no increase in worker compensation. Later this term was used to describe almost any increase in work load which was not accompanied by an increase in pay in industries other than textiles. Just as the employer often erred by way of the “speed-up” when left to his own devices in setting the work pace, so labor organizations have often gone to the other extreme of slowing down the work pace by an unreasonable degree.

It should not be imagined, however, that only organized work groups exercise some control over the work pace. Studies have repeatedly shown that unorganized work groups also set their norms of conduct, tacitly or otherwise, and among these norms are those related to the work speed. In this connection, Elton Mayo’s famous studies of workers in Western Electric’s Hawthorne plant in 1927 disclosed complex patterns of control by the work group over the activities of the individual worker.⁷ Thus, a group of bank wiremen in this plant was found to observe the following code of behavior:

⁷ Elton Mayo, “Supervision and Morale,” *Journal of National Institute of Industrial Psychology*, January, 1931, pp. 248–60.

1. You should not turn out too much work, since this will make you a "rate buster."
2. You should not turn out too little work, because this will make you a "chiseler."
3. You should not tell a superior anything that will work to the detriment of an associate, since, by so doing, you become a "squealer."
4. You should not attempt to maintain social distance or act officious. That is, if you are an inspector, do not act like one.

Thus, by its code above, and especially with regard to items 1 and 2, the work group was in effect limiting the supply and output of labor in conflict with management's views on efficiency. Such observations as these led Professor Mayo to note: "Management, in any continuously successful plant, is not related to single workers but always to working groups. In every department that continues to operate, the workers have—whether aware of it or not—formed themselves into a group with appropriate customs, duties, routines, even rituals; and management succeeds (or fails) in proportion as it is accepted without reservation by the group as authority and leader."⁸

In a related discussion, B. B. Gardner has observed:

Usually a work group likes to keep the output level at a point where the individual can maintain acceptable production without too much effort. . . . They come to an informal agreement as to how much is a day's work and then exert pressure on the individuals to see that all abide by the limits. As we have seen, a new worker is informed of these limits and they usually police him to see that he accepts them. . . . Most workers soon succumb to such pressures . . . or become so unhappy that they quit the job.⁹

Thus, it may be seen that the work-pace aspect of working conditions involves both organized and unorganized consensus as to what constitutes or should constitute the "proper" work speed for human beings under given conditions. Intermingled with the desire to achieve a work pace which will not shorten working life or threaten health is the constant fear on the part of workers with regard to the scarcity of job opportunities and the insecurity of job tenure. The natural human reaction to this fear is to slow down and thereby prolong a given job, with little thought as to possible long-run economic implications of such a position either for the group or for the economy.

In conjunction with the above observation, labor organizations—notably craft unions—have adopted work rules and regulations which have

⁸ Elton Mayo, *Social Problems of an Industrial Civilization* (Boston: Division of Research, Harvard Business School, 1945), pp. 81–82.

⁹ B. B. Gardner, *Human Relations in Industry* (Homewood, Ill.: Richard D. Irwin, Inc., 1945), pp. 153–54.

the general effect of limiting the daily output of the union members. In establishing such rules, unions have been motivated by a variety of considerations, including the fear of unemployment, the desire to resist the "speed-up" of work by the employer, the aim of preventing accidents due to fatigue stemming from excessive work speeds, and the possible desire to use to extremes the monopoly power of the union. Restriction of output by a labor union may be related to the administration of incentive wage plans. Under such conditions the union may seek to prevent the raising of work standards by the employer or a cut in base rates by him as earnings on incentive wages rise too high in his estimation. As a matter of fact, union work restrictions are probably more common on incentive pay plans than under hourly pay arrangements, since workers are more apt to fear that the "rate buster" will force the average worker either to quit or to work at an exhaustive rate of speed.¹⁰

Pursuant to the above considerations, various craft unions have gone to great lengths to limit the output of members. A few examples are of interest here. Many of the outstanding instances of limitation of output have been found among the building trades unions. Thus, bricklayers have limited the number of bricks laid per day; painters have limited the width of paint brush which could be used and have set up restrictions against the use of spraying devices or rollers; lathers have limited the number of yards of lathing or plasterboard which could be laid or installed per day; and carpenters have sometimes limited the use which could be made of power tools. Other craft groups, however, have not hesitated to limit output either. The locomotive engineers have insisted that one day's work for engineers should consist of eight hours or 100 miles in freight service or 200 miles for passenger service. While this limitation was not too unreasonable many decades in the past, it has been viewed more recently as a ridiculous policy as the speed of railway locomotives has been increased.¹¹ Consequently, a tri-partite committee appointed by President Eisenhower in 1960 recommended that the railway companies be empowered to modify work rules in the direction of greater relevance to modern, rapid rail transportation. It wasn't until 1964, however, that the railway companies could finally take steps in this direction and then only after compulsory arbitration had been provided by Congressional enactment to cover this one case in the fall of 1963.

Closely associated with limitation of output practices are those known as *featherbedding*, generally defined as requiring more men on a given operation than are actually needed. Thus, printers have refused to use

¹⁰ This has not been proved conclusively but is often advanced as a distinct possibility by students of this area.

¹¹ Work rules instigated by railway operating unions differ somewhat from other unions' rules in that the objective seems to be to increase pay rather than to curtail output.

prefabricated matrices for advertising copy unless they be allowed first to set "bogus" matrices which duplicate needlessly the previously prepared matrices. Musicians have long insisted that whenever an out-of-town orchestra is imported for work, the local group must be employed on a "stand-by" basis whether actually needed or not. Motion-picture projector operators often insist on the employment of two operators per projector, while operating railway unions demand full-crew laws of state legislative assemblies. Painters frequently demand that cabinets which have been factory-finished be gone over by members of their trade with dry brushes, while electricians have refused to install factory-wired switchboards unless the factory wiring is first torn out and the whole job then redone by unionized electricians on the spot.¹²

It should be observed here that featherbedding is not originally or typically sought to assure the worker of a "soft" job. Rather, it is a product of rapid technological development which tends to eliminate some jobs and the intense desire of workers and their unions to preserve employment. So great is this desire on the part of desperate employees that management has extreme difficulty in modifying outdated work rules. When the individual's principal source of livelihood is threatened, it is next to impossible for him to be objective and socially-minded in his attitudes. It should be noted, too, that the institutional security of an entire union and its leadership may be at stake on occasion, thus further intensifying the security motive by adding fears of institutional insecurity to those of a personal nature.

Obviously, all of the above instances of output limitation and featherbedding are prime examples of the boosting of production costs which can only result in higher commodity prices. If the commodity or service in question is characterized by a highly elastic demand, the end result must be rising unemployment; if the product demand is relatively inelastic, the end result must be the victimization of the consumer and, perhaps indirectly, other workers whose wares will be less in demand owing to the unnecessarily high prices elsewhere attributable to work limitations. Another by-product of union tactics noted above may well be the more rapid demise of a declining industry than would otherwise have been the case. This result, however, while painful to those concerned, might possibly be viewed as beneficial from the standpoint of the economy as a whole.

It may be noted in passing that often it is the *local* union leadership which most vigorously initiates output restrictions and "make-work" rules. National union leadership, on the other hand, being farther removed from the rank and file, can politically afford to adopt a broader

¹² For a detailed discussion of union "make-work" rules which investigates both sides of the issue, see William Haber and Harold M. Levinson, *Labor Relations and Productivity in the Building Trades* (Ann Arbor: Bureau of Industrial Relations, University of Michigan, 1956).

outlook. Consequently, national union leaders may often be found trying to dissuade local leaders from carrying on grossly uneconomic practices.

In addition to work rules which limit output, create unnecessary work, or result in more men being employed than needed, two other devices have been utilized by labor organizations. One of these involves a concerted effort with employers to raise the demand for the product by working cooperatively for such measures as protective tariffs. The other device centers around the use of the union label on the product, a move intended to increase the size of the market, at least in the short run, for a given commodity at the expense of non-labeled goods.

Resistance to Technological Change

Some of the greatest changes in working conditions attributable to industrialization have been associated with technology, since developments in technology have not only altered methods of production but have also affected the number of workers needed, the work pace, and the nature of the work as to skill level, pleasantness, and safety. The initial reactions of work groups to laborsaving machines in the eighteenth century were of the violent, reactionary type. Thus, it was not uncommon for machines to be smashed and for inventors to be bodily injured by insecure factory workers who felt they had been made even more insecure by the inventor.

With maturation of labor movements in the industrial societies, resistance to technology has become more moderate and more sophisticated, but it has continued to exist. While union leadership—especially at the national level—is convinced that technological development is beneficial to all concerned in the long run, union members, local leadership, and even national leadership on occasion are quite conscious of short-run detrimental effects upon specific work groups stemming from technological improvements. Most conspicuous among organized attempts to regulate or resist technological change are those initiated by the craft unions. This is understandable, as their members, being skilled workers, have in their skilled jobs more of a vested interest to lose through mechanization. The union itself may face the loss of a large portion of its members as technology displaces them in industry, while the prestige, influence, and even the very existence of the whole union may thereby be undermined. By contrast, industrial unions, being wider in scope, do not face a similar loss—either of members or of prestige. As a matter of fact, mechanization may well mean the upgrading in skill and pay of many of its largest segment, the unskilled members. Craft union resistance to technology is usually at its peak in declining industries, where the trend is in the direction of using less and less labor units with the passage of time. Thus, it is not surprising to find that resistance to technology is especially prevalent in such industries as railroading, where increased competition

from alternative means of transportation has meant a gradual decline in demand for labor.

The late Professor Slichter has observed that a given union could conceivably follow one or more of three alternatives with respect to technological developments.¹³ Thus, a labor organization could seek to "obstruct," to "compete" with, or to "control" the introduction of labor-saving technology. In the first instance—obstruction—the union would endeavor to keep technology from being introduced, a move reminiscent of earlier destructive tactics relative to machines by work groups of the eighteenth century. In the second alternative—competition—the union would undertake to provide labor for the firm at successively lower wage rates, so that the employer could not gain an economic advantage by substituting technology for labor. In connection with the third alternative—control—the union would attempt to influence management to introduce technology gradually, with advance notice to workers affected, severance pay to those laid off, and the retention and training of as many workers as possible for the operation of the machines introduced.

Of the three alternatives discussed by Slichter, the last one appeared to him and most recent writers as holding out the greatest promise of success for the union. Labor has long ago learned that it cannot keep machines out of industry effectively for very long and also that competing with the machine by the lowering of wage rates will not long be effective nor will it be satisfactory from the employees' viewpoint while it is being practiced. On the other hand, numerous situations exist wherein the union and management have arrived at quite workable arrangements for the gradual inception of technology, coupled with policies for retaining and training present employees whenever possible, as well as policies for softening the blow upon those who must be laid off. A very real danger exists, of course, that in its zeal for protecting the interests of the membership and/or the political aspirations of the leadership, a given union may go so far in attempting to regulate the introduction of technology as to hamper unduly the economic progress of the firm, the industry, and the economy. While it might be argued that a certain amount of monopoly power is essential for the protection of the interests of workers as producers, the misuse of the monopoly power represents a distinct threat to the interests of the consumer.

Worker Advancement and Security

At the outset of industrialization, the employer was assumed to possess the right and the power to hire, fire, and assign the members of the

¹³ Sumner H. Slichter, *Union Policies and Industrial Management* (Washington, D.C.: Brookings Institution, 1941), chaps. vii–ix.

work force in accordance with his views as to the most economic operation of the firm. As industrialization progressed, however, members of the work force, through their growing organizations, began to question the arbitrary utilization of such power by the employer or management and insisted that they be given some voice in matters affecting them so vitally. In part, this trend was due to observations by workers that the employer or management often used these arbitrary powers capriciously and discriminatively, and to the feeling that the forces of the market could not be relied upon to constitute significant short-run protection to the individual worker, classical economic theory to the contrary notwithstanding. In part, too, this trend was attributable to the fact that stability and security of employment in an industrial society are necessarily second only to the worker's need for employment.

As a result of the above developments, the principle of seniority has gradually been written into the vast majority of collectively negotiated labor contracts, as well as being observed in most nonunion employment situations in varying degrees. Actually, the idea of rewarding a person in the form of job security in exchange for longevity of service to the employing unit is not new, nor is it an innovation of labor organizations. The principle of seniority goes back at least as far as governmental and/or private institutions and has been practiced at virtually all levels of industrial and governmental employment. Thus, it may be found in the armed services, in civil service employments, in financial institutions, in academic institutions, and in the Church. Formal seniority plans for production workers on a large scale have mostly been conceived in the United States since the 1930's, with the possible exception of the railway industry. The building trades unions find the concept of seniority inapplicable to their employment situation, which is characterized by shifting work sites as well as by the seasonality of their work and rapid changes in employing units. Undoubtedly, the rapid growth of unionization since the 1930's has been a major factor in the spread of formal seniority programs for production workers. Perhaps another factor has been the increasingly self-perpetuating and class-conscious nature of the working class. Thus, as chances of the individual to rise from the working class to higher planes tend to diminish, this may lead to the growing use of devices designed to better working conditions and to increase economic security in the shop.

Numerous objectives, conscious or unconscious, lie behind formal seniority provisions. One of the most widely recognized, of course, is that of attempting to set up an impersonal criterion for layoffs and promotions in contrast to the more arbitrary and subjective criteria which may exist in the absence of seniority. Hence, it is hoped by its proponents that the use of seniority arrangements may minimize or eliminate the discrimination and/or favoritism often resident in arbitrary decisions by the

foreman with regard to layoffs and promotions. Another objective has been that of the maximization of employment opportunity for the older worker. It has long been recognized that the older worker—aged 45 or over—experiences grave difficulties in finding work in the modern industrial society, where hiring-age limits tend to rule such workers out of consideration by major employing units except in periods of full employment. By the same token, related objectives behind the use of seniority are attempts to maximize the amount of job preference and consideration for the older worker in so far as transfers and promotions are concerned. In part, the whole concept of seniority is tied in with the evolving idea in the industrial society of the intangible property right which the worker allegedly possesses in his job—a property right somewhat analogous to the tangible property right assumed to be held by the employer in his physical plant and equipment. In this connection, it is generally assumed that the strength of the worker's property right in his job somehow should vary directly with the length of time the worker has held the job.

Underlying the major objectives of seniority as noted above are some justifications which are often expressed in defense of seniority. One justification implied above is the lower degree of reemployability of the worker past age 45. It might have been convenient had the human organism been so constructed as to maintain its youthful vigor until its retirement. In actuality, however, the aging process is a gradual one, so that each individual at some chronological age begins to slip in so far as his physical efficiency is concerned. Yet, the fact that the individual must continue to eat, plus the fact that the democratic society is committed to maintaining life as long as possible, creates a real individual and social problem. If individuals were to be junked like machines, society would in some manner have to bear the cost of supporting most individuals, given the assumption just noted. On the other hand, if some firms were to eliminate the older workers while others retained them, the cost would be inequitably distributed among employing units. Thus, some argue in justification of the seniority plan that it does afford one method—perhaps a rather equitable one—of dividing the cost of aging among employing units while at the same time fulfilling the psychological function of making individuals feel useful for a maximum period of their lives. It is recognized that an economic cost is inescapably associated with the aging process; the issue seems to revolve around where the incidence of this cost should be: on the industry and/or its consumers or on the older individuals and/or society in general.

A second justification often advanced in behalf of formal seniority programs is that such apparent concern for the welfare of older workers tends to elevate the morale of the work force as a whole. Individuals approaching their fifties are obviously most favorably affected, but even

those in their thirties and forties may take some feeling of security from seniority practices as they realize that they, too, may one day benefit therefrom. Morale is a highly illusive and intangible quality, admittedly, and there is no substantial evidence which would indicate that the possible costs of seniority are compensated for by improvement in worker morale and its supposed effects upon productive efficiency. It has even been argued on occasion that the secure worker may *not* be the most efficient worker—his very security may lead him to become less aggressive and competitive on the job. Whether the justifications noted are sufficiently valid to assure a complete underwriting of seniority by the economist is more or less academic. It would appear that seniority will continue to be a major criterion with respect to job security—yes, even with respect to the academic economist's position, along with the jobs of production workers and the positions of executive personnel.

Various types of seniority may be found in actual practice. One of these, referred to as *straight* seniority, is relatively uncommon and involves the arrangement wherein the length of service is given paramount or sole consideration as far as layoffs and promotions are both concerned. A second type, known as *modified* seniority, gives consideration to factors other than length of service and includes such factors as skill, ability, family status, and the like. Usually skill and ability are given the greatest weight next to length of service; and often, the arrangement will be to make the length of service the deciding factor, other things being equal.

Seniority varies also as to scope. Thus, it may be of the *plant-wide* variety, which means that the plant as a whole is the seniority unit and older workers can retain their employment during periods of layoffs by "bumping" younger workers any place in the plant. It is understandable that older workers and unions tend to prefer this very broad scope of seniority. Seniority may be *departmental* in scope, meaning that the older worker is confined to a given department in so far as the "bumping" process is concerned. Thus, the job security is considerably reduced over what it would be in the plant-wide variety of seniority. Finally, and narrowest of all, seniority may be only *job-wide* or *occupational* in scope, which means that in the smaller plant, especially, the older worker is really afforded very little security on the job. On occasion, combinations of different scopes of seniority may be found. Thus, layoffs may be on a plant-wide seniority basis, while promotions may be based only upon job-wide or occupational seniority. This arrangement tends to afford maximum security to the older worker in recession or depression periods while preserving the maximum amount of freedom for the employer in the allocation of his work force. Where a strong union is involved, and where economic conditions in general enhance the bargaining strength of the union, it is likely that the stronger forms of seniority will be in

evidence. On the other hand, weaker forms of seniority will tend to prevail where the union is weak and where general economic conditions redound to the bargaining strength of the employer.

It may be observed that seniority is often a source of internal dissension for the union. Thus, it is not uncommon for it to cause bitterness on the part of younger members relative to older members or similar attitudes on the part of the unskilled and semiskilled members toward the skilled members. Such dissension can be quite troublesome for union leadership and may be, in part, responsible for the rise of guaranteed annual wage plans in this country since World War II. With the growth especially in young union members since the 1930's, union leadership has had to be able to offer greater security to the younger members whose security had been jeopardized partially by the institution of seniority clauses for the protection of older members. In all probability, the long-run rise in the overall unemployment rates from the end of World War II until the acceleration of the Vietnam War in 1964-65 intensified the feeling of insecurity on the part of younger and less skilled union members who are generally more vulnerable to layoffs.

Since the 1930's, and with the rapid spread of seniority plans for production workers, many arguments have been advanced both for and against seniority. On the negative side, it is often contended that seniority will reduce productive efficiency, since it will replace younger and speedier workers with older and slower workers at crucial times and in crucial jobs. While some negative effect upon efficiency may stem from seniority programs, it is possible that this aspect has been overemphasized. For example, the use of seniority practices will have little or no effect upon efficiency where machine-paced jobs are concerned. Seniority as a criterion for layoffs and promotions may even have little effect in any situation in which workers tend to limit daily output, by either organized pressure or simply informal social pressures. Such limitation of output—probably more common in industry than is often recognized—tends to cancel out the alleged advantage of the younger and/or more ambitious worker, anyway. In other situations, where the job is not machine-paced and where there is little or no worker limitation of output, seniority probably interferes with efficiency to the extent that it precludes objective and equitable judgment as a basic criterion for the assignment of workers.

Related to the above argument is the contention that seniority may cause the secure worker to slow down and "take it easy" once he has a high degree of seniority, since efficiency is no longer going to be of major importance with respect to his job security and advancement. Furthermore, advancing age and its accompanying conservatism, it is maintained, will tend to complement this trend. Thus, to the extent that a firm is forced to maintain an aging work force, its work force may be a rather

complacent and inefficient one. This argument, too, can be overdone. Carrying it to the extreme conclusion, of course, would lead one to support the premise that the most reliable route to an efficient work force would be to do everything possible to make workers feel insecure. It is highly debatable, however, whether this approach would really assure the firm of a highly efficient group of employees. So extreme a form of insecurity might cause such a degree of mental stress as to hamper productive efficiency rather than augment it. In fact, probably either extreme security or extreme insecurity might be detrimental to worker productivity. What is most desirable is probably some compromise between the two. If a given seniority arrangement lies within the range of sensible compromise, it is probable that it will not hurt productive efficiency to any great extent and perhaps, to an extent, it will be more than offset by the protection of the worker's interests as a producer.

Still another negative argument with respect to seniority is the argument that seniority tends to discourage interfirm and interregional labor mobility, a mobility which is asserted to be highly desirable from the point of view of the economy as a whole. This argument may also be overdone and may overlook some significant aspects with regard to labor mobility. In the first place, the argument implies that all workers must be able and willing to move at the drop of a hat, so to speak, for the economy to have an adequate degree of labor mobility. This is highly unrealistic. In actuality, it is probably sufficient that only a portion of the labor force be relatively mobile to provide the economy with enough labor mobility. Secondly, the argument overlooks the fact that workers most affected by seniority protection are within age levels where mobility tends to be low and declining, anyway. This point has been ably made by Professor Ross.¹⁴ He finds little evidence that "labor resources have become immobilized . . . because men can no longer afford to quit their jobs." It could be argued that in the event that seniority plans *do* shift mobility from older to younger workers, this may be preferable in that the younger workers find it easier to move than their more established older counterparts. Additionally, the eventual reemployment of younger workers is not so apt to be hampered by the hiring-age obstacle. A Bureau of Labor Statistics' study in 1966 found that about 5.5 million employees as of January, 1966, were working in occupations different from those in which they had been working a year earlier. Since about 70 million total employees were gainfully employed in January, 1966, this meant that only about 8 percent had shifted occupations from January, 1965 to January, 1966. About 60 percent of those who had shifted occupations were under age 35 and, generally speaking, men were more

¹⁴ Arthur M. Ross, "Do We Have a New Industrial Feudalism?" *American Economic Review*, December, 1958, pp. 903-19.

apt to have shifted occupations than women. Negro men were more apt to have shifted occupations than white men but little difference was noted in mobility rates for Negro and white women. Interestingly, shifts from blue-collar occupations to white-collar occupations were uncommon while shifts from blue-collar occupations to service occupations were quite common. Full-time employees were found to have lower mobility rates than did part-time employees.¹⁵

Management representatives have frequently noted that another disadvantage of seniority, notably of the plant-wide variety, is the fact that "bumping" on a plant-wide basis can necessitate multiple adjustments in manpower allocation, with generally declining efficiency for the firm or plant as a whole. This argument against seniority of the broadest scope would be especially relevant, of course, in periods of widespread unemployment. Obviously, management will try wherever possible to avoid committing the firm to seniority plans which are plant-wide in application, but this may not be possible or feasible if the union in question is powerful.¹⁶

The arguments against seniority arrangements are admittedly impressive. Almost equally impressive, however, have been the arguments advanced in favor of seniority. For example, it has been alleged that seniority may reduce the opposition to the introduction of technology on the part of older workers who would find reemployment the most difficult and who at the same time may wield considerable influence within the union concerning policies such as those pertaining to technology. Secondly, the use of seniority may stimulate the personnel management department to do a better job of recruiting, selecting, and placing workers, in order to protect the firm from the mistake of granting seniority and security to incompetent workers. Another argument in favor of seniority has asserted that seniority tends to eliminate or to minimize excessive labor turnover. Those who advance this argument are fully aware that some labor turnover is desirable, but they are also convinced that much labor movement may be not only unnecessary but highly expensive. To the extent that seniority reduces this type of turnover for the firm, a distinct gain may have been experienced by all concerned.

Proponents of seniority programs frequently contend that there will be a very high correlation between seniority and ability in most firms. This is most likely to be the case, it is asserted, where the firm has deliberately followed sound personnel management practices. Thus, it is maintained that the firm with a sound seniority program is not merely

¹⁵ Samuel Saben, "Occupational Mobility of Employed Workers," *Monthly Labor Review*, June, 1967, pp. 31-38.

¹⁶ This is not meant to imply that *all* unions would favor plant-wide seniority. Some—especially local craft unions—would probably favor a narrower form.

rewarding loyalty to the firm but is also recognizing proven ability in most instances. Finally, it is very often argued that a seniority program does contribute an unmeasurable increment to employee morale.

It should be noted in concluding this section on arguments for and against seniority arrangements that some contentions appear either as pro or con, depending upon the vantage point involved. Thus, for example, it is often pointed out that a seniority program may serve to weaken future strike activity, as men who have attained seniority may be more anxious to return to work quickly or not leave it at all, in order to protect their seniority. Obviously, such an argument would be in the nature of a favorable argument from the viewpoint of management, while posing as an unfavorable argument, perhaps, in the thinking of union leadership. By the same token, it has sometimes been noted that a seniority program may cause genuine dissension within union ranks and/or make the worker more loyal to the firm than union leadership might wish. Again, such an argument would be favorable to seniority from the vantage point of management, while it might perhaps be viewed as a negative argument from the standpoint of the union leadership. While it is evident that some "mixed" arguments such as the foregoing may exist, it is probably safe to say that, on balance, management generally finds more arguments *against* seniority programs, while union leadership usually discovers more arguments *favoring* the same programs.

It may be observed, in passing, that a very large proportion of non-union firms have also been found to observe seniority principles in varying degrees. Thus, a survey of 110 such firms in 1950 by the National Industrial Conference Board disclosed that the majority of them followed seniority principles and practices.¹⁷ This study found that 95.5 percent of the firms applied seniority to layoffs, 82.7 percent applied seniority to rehiring practices, 72.2 percent applied seniority in making promotions, 61.8 percent applied seniority in the making of transfers, while 33.6 percent followed seniority criteria in the granting of special privileges. Whether nonunion firms utilize seniority arrangements more because such arrangements are generally thought to be better than the alternatives, or whether such firms have indirectly been forced to set up seniority programs because of unionization of other firms in their labor market, is a moot question. In all probability, both of these causes have figured in this development. As was observed in connection with wages, the firm which prefers to remain nonunion certainly cannot afford to lag too far behind established practices within unionized firms unless it wishes to lose its better workers via a high labor turnover rate and/or run

¹⁷ National Industrial Conference Board, *Seniority Practices in Nonunion Companies*, Studies in Personnel Policy, No. 110 (New York, 1950).

the risk of its workers becoming increasingly favorable to organization by an outside union. Of course, this observation would be especially valid under conditions of high or full employment. The fact, however, that seniority principles are found within governmental, managerial, and other circles lends a great deal of support to the thesis that seniority arrangements are generally regarded as being superior to alternative approaches.

During periods of recession or depression, both employers and unions have been found to favor some combination of seniority and work sharing. Thus, up to a point, working hours may be cut in order to bring about a sharing of scarce jobs by as many workers as possible. Usually, however, some limit will be set on this practice, perhaps in the neighborhood of 30 to 32 hours, since to cut the work week below this point would merely amount to a sharing of poverty by the work force. Beyond the limit agreed upon, then, seniority will be observed in making the necessary layoffs if the recession or depression persists.

Just as explicit rules are usually found governing the attainment of seniority by the worker in a typical plant, so also are there quite definite rules in existence which govern the loss of seniority. These rules may include some or all of the following:

1. Workers almost always lose their seniority if they voluntarily quit their jobs or if they are discharged for cause by the firm.
2. While seniority is usually preserved for the laid-off worker, usually a limit of six months or a year may be set up so that a layoff beyond the limit results in loss of seniority.
3. Seniority is frequently lost if a worker fails to report for work within a week or so of a call-back from a layoff.
4. Excessive and unreasonable absenteeism may cause loss of seniority.
5. Temporary (casual) or seasonal employees may be excluded altogether from the seniority provisions.
6. Leaves of absence granted by the firm for military service or for sickness or death within the immediate family usually do not terminate seniority of the worker so long as he does not abuse his privileges.

In concluding this discussion of labor's attempts to mitigate job insecurity which in part has been due to the impact of industrialization upon the labor market, a brief statement concerning the overall economic effects of seniority programs may be in order. If the use of seniority as a major criterion in layoffs and promotions really results in an increase in hourly wage costs, this of course could be reflected in generally inflated prices, in decreased demand for labor, or in some combination of the two. But to eliminate seniority arrangements—if in actuality this would

even be possible—would not eliminate for society the inescapable costs of the aging process. Individuals who would be laid off because of age would still constitute an economic burden to society in some other direct or indirect manner, assuming that the society is committed to sustaining human life until its natural termination. Directly, the elimination of seniority programs might cost the society in the amount of public funds which might have to be diverted to the economic support of laid-off persons. Indirectly, the scrapping of seniority plans might so affect the morale and productive efficiency of the work force as to interfere with the maximization of output.

Jurisprudence and Discipline

One final facet of working conditions remains to be explored, namely, that of industrial jurisprudence and the discipline of the work force. Prior to industrialization, this, too, fell within the general prerogatives of the employer. With the profound changes ushered in by industrialization, however, the sole control by the employer over the adjustment of grievances and the disciplining of workers attracted increasing scrutiny and criticism. Again, it was the separation of ownership and management, in part, along with the apparently arbitrary nature of managerial decisions with respect to grievances and discipline, that ultimately caused worker organizations to seek more control. It was inevitable, in retrospect, that if management's answer to a worker's grievances was to be couched frequently in such terms that the worker must either "like it or leave it," the worker with his fellows would try to achieve something better, if for no other reason simply because workers typically do not relish moving from job to job. Also, in retrospect, to the extent that management's handling of disciplinary cases approached the border line of favoritism or discrimination, again the worker would inevitably strive for some protection from such inequitable action—especially when it is considered how vitally important employment necessarily must be to the individual in a money-exchange economy.

While most workers—organized and unorganized—have undoubtedly experienced similar feelings with respect to the inadequacy of the traditional managerial approach to grievances and discipline, there is little doubt that unionism has tended to crystallize the discontent into formal grievance systems and stipulations concerning the conduct of plant discipline. As a matter of fact, numerous writers have on occasion contended that the insertion of formal grievance machinery by the union may constitute unionism's greatest single contribution to the field of labor relations. As a result, the individual worker has been somewhat insulated against the irresponsible use of arbitrary power by management in this connection. This is not to say that all management groups

did or would exert arbitrary power in an irresponsible fashion, but the temptation was certainly great for those who would act in such a manner. Working under a modern grievance arrangement, the individual worker can rest relatively secure in the knowledge that his "gripes," real or imaginary, will be considered and acted upon in an equitable manner and with reasonable promptness. Contrast this with the oft-repeated experience in an earlier period where a worker with a complaint would be allowed to build up this complaint out of all proportions in his mind until an explosion, perhaps in the form of violent action or the quitting of his job, would seem to be the only recourse left to him, a recourse costly not only to the worker but to the employer as well. Similarly, the operation of a modern grievance machine eliminates the necessity for workers to utilize the strike or more violent collective action to attain a new contract or a more equitable interpretation of the present one.

The typical grievance provision in the labor contract sets up a series of sequential steps, varying from one or two in the simplest forms to as many as five or six steps in the most complex systems. Generally, the number of steps utilized varies directly with the size of plant involved. The first step usually consists of the aggrieved worker and/or the shop steward presenting the grievance to the foreman. The vast majority of grievances are quickly settled at this level, especially if the foreman and the shop steward are competent individuals. The second layer of steps may consist of one or more negotiations between union grievance representatives and ever-higher levels of management. Consideration of the grievance eventually by national union officials and top management of the firm or officials of the employers' association to which the firm belongs may take place if lower level discussions have failed to dispose of the grievance satisfactorily. Mediation may even be resorted to via the Federal Mediation and Conciliation Service or some private mediation body in the third step or level of grievance machinery. The final step in the typical grievance procedure today usually involves the use of voluntary arbitration. This may be handled by a single arbitrator, by a board of arbitration, or by a bipartisan group headed by an impartial chairman. Furthermore, the arbitration unit may be set up temporarily or on an *ad hoc* basis for each case which requires arbitration, or the labor contract may provide for the establishment of a permanent official or board of officials for the arbitrating of all cases which arise during the term of the contract. It may be noted here, too, that the various grievance bodies noted in the several steps may meet only upon "call" as cases demand attention, or they may have regularly scheduled meetings much as would a court in the political sphere.

The justification for grievance machinery should be more or less evident. Just as it has been found essential to have a judicial division in civil government to interpret legislation enacted by the legislative divi-

sion of government, so it is just as imperative to have a judiciary in industrial government to interpret the contract (legislation) which has been drafted by bargaining representatives (legislators). It is too much to expect that both parties will interpret the numerous provisions of the labor agreement in exactly the same manner or that the bargaining representatives could have foreseen and provided for all disagreements which might arise during the life of the contract. As implied above, another justification for the grievance machinery is the fact that it poses as a desirable alternative to either the arbitrary handling of grievances by management alone or the lack of any attempt to handle grievances which may result in low labor morale and high labor turnover rates.

The success of the grievance program, of course, depends upon the type of use it is given. Thus, if the union uses the grievance process to gain concessions which it could not gain in bargaining, or if management uses it to try to call back concessions which it made in bargaining, the grievance process has been misused in both instances. By the same token, if the machinery is used for the presentation of justifiable grievances as opposed to those designed simply to "bait" management, the process will have been properly used, and it will be more apt to contribute constructively to good labor relations. The same contrast, however, should not be made between "real" and "imaginary" grievances. Often, a worker will have not what most persons would term a "real" grievance but what might be termed a grievance which is the figment of his imagination, owing, perhaps, to a misunderstanding of the contract terminology. It is an important grievance, though, if the worker thinks it is and should not be brushed aside, as was often the case in the past. It is highly possible that such a grievance can be quickly settled at the first step by a judicious and understanding foreman or even by a competent union steward.

Workers typically utilize the grievance machinery more frequently than does management. The principal reason for this is probably the fact that management, being in control, is capable of making more day-to-day adjustments than can the individual worker. Occasionally, however, management may file a grievance if it feels the union or its members are not living up to contractual terms. Possibly another explanation for the more frequent use of the grievance process by employees is the fact that the daily application of the contract's terms is apt to affect them in a much more personal manner than it does management. In this connection, it should be noted that it was for the worker that the grievance procedure was devised and bargained for by his representatives in the first place. Thus, it is logical to find the worker making the most frequent use of the steps in the grievance program.

While grievance procedures may be found in unorganized plants as well as in organized plants, it is probably true that the procedures will

operate less satisfactorily in the absence of labor organization. This is to be expected, since workers in a nonunion plant do not possess a united front for the study of contract terms and the pressing of charges relative to their application. In the absence of labor organization, management tends to function both as the defendant and the judge in the grievance process, whereas in a unionized plant the judicial function is performed jointly by representatives of the defendant (management) and those of the plaintiff (the employee).

A distinct problem may be presented for management in conjunction with the grievance system, in that the foreman's power and prestige are definitely challenged by the emergence of the union shop steward. Highly skillful and judicious functioning on the part of the foreman is essential if he is to retain his leadership in the shop and the respect of those he supervises. The really competent foreman, of course, will use the reliable union steward, where such a one is present, as a sounding board before he announces policy changes of any significance and will thus be able to strengthen his leadership status. If the foreman is weak, however, there is a danger that the workers will come to think of the steward as the real power source in the shop; and when this happens, the leadership of the foreman will have been largely negated.

Because of their relationships, the foreman and steward may be thought of as taking part in daily collective bargaining as a continuation of the bargaining engaged in by the bargaining representatives during the contract negotiations. Both the foreman and the steward must learn through experience just how far they can go—the foreman in punishing or rewarding worker actions and the steward in protesting the decisions of the foreman. Constant overstepping by either or both of these important functionaries can spell disaster for the whole grievance procedure.

A facet of working conditions related to grievances—worker discipline—has also undergone significant changes with the progress of industrialization. Prior to the maturation of the industrial economy, the function of disciplining the worker was left pretty much to the owner and, later, to the management of the firm. Discipline for rules infractions could vary all the way from the withholding of minor privileges from the offending worker to out-and-out discharge from the job. While the numerous minor forms of discipline continue to rest largely with plant management, the more severe types of discipline, such as discharge, have been challenged in various ways by labor, and particularly by labor organizations through the grievance process.

As a protection against arbitrary discharge of the worker by an employer or his representative for little or no reason, labor organizations often insist that only discharge "for cause" may take place and, further, that the possible causes for discharge be written into the contract. It is also quite common for the union to insist that the final decision with

respect to discharge not be vested solely with one supervisor but that the worker and/or his union be given the right to appeal such decisions via the grievance process. This is not to say that the majority of workers or union leaders are opposed to discharge for cause; it simply means in most cases that they are not going to be willing to take the employer's word, or that of a foreman, that just cause exists. It may even mean that the organized work group wants a voice in determining what are just causes for discharge. In this connection, organized labor has been reinforced by labor legislation since the 1930's. Thus, to cite only one example, as a result of the passage of the Wagner Act in 1935, mere membership in or sympathy toward a labor union is no longer considered a just cause for discharge. Prior to 1935 in industries coming under federal labor law, and to this day in industries outside federal labor law, this often was and may still be just cause for discharge in the eyes of the employer.

With the development of the industrial society, and especially in the large-scale productive enterprises, collective bargaining has meant a tremendous change in the right of the employer or management to discipline the work force. From an almost unlimited right to suspend, demote, or discharge the allegedly offending worker, a right often delegated by management to the supervisory staff, management has seen this right greatly limited through the collective action of workers. The question which has been involved has not been whether there should be worker discipline. Nearly everyone would concede that there must be discipline of the industrial work force, as in any other group endeavor. The real question, then, concerns how much and what kind of discipline is appropriate in given situations as well as when, by whom, and for what reasons the agreed-upon discipline may be imposed. It may be noted also that industrial psychology has had an influence here, as well as the labor organization. Thus, the more negative traditional approach to discipline, which involved an overuse of discharge and demotion, has been branded as psychologically undesirable. As a result, the old remedy of firing the worker for almost any or no kind of infraction has been replaced by the more positive approach of rewarding the desirable worker and searching for causes for the actions of the offending worker so that such actions may be mitigated or eliminated.

SUMMARY

As in the case of wages and hours, working conditions in production units of the industrial society are beyond the individual control of the worker. Because labor market forces do not appear to be too effective in bringing about needed or desired adjustments in working conditions, industrial workers, through their organizations, have asked for and

gained a measure of collective voice in the determination of working conditions. In part, this has been achieved through collective bargaining; in part, it has come through legislation at state and federal levels. Efforts of labor organizations in this connection have been supplemented by the efforts of a minority of farseeing employers, as well as by employers desiring to forestall unionization of their employees and/or high labor turnover rates.

Working conditions which have been brought in part under organized labor's control, usually on a joint basis with the employer, include sundry physical aspects such as heating, lighting, ventilation, and sanitary facilities; the work pace; the number of workers assigned to a job; worker advancement and security; and worker jurisprudence and discipline. Just as problems such as the "speedup" may emerge when the employer has sole and arbitrary control over working conditions, so problems such as inefficiency and "featherbedding" often emerge when the union wields the balance of power. Thus, the nation is faced with the task of setting the stage so that equitable compromises for all concerned will result with respect to working conditions. In addition, there is the related problem of cost incidence of the compromises in question.

DISCUSSION QUESTIONS

1. Should improvements in working conditions be effectuated if they will obviously result in an increase in production costs which cannot be recovered by the firm? What criteria might be used in deciding what improvements are desirable?
2. Would you favor leaving working conditions entirely to labor market forces of competition for their determination? Why, or why not?
3. Which do you feel comes first: rising man-hour productivity, which makes better working conditions possible; or better working conditions, which make it imperative to improve man-hour productivity?
4. Why did English common law prove inadequate, in your opinion, as a guarantor of good working conditions?
5. How should the work pace be adjusted in a factory relative to the various abilities of the work force? Who should have ultimate authority to make such a decision? What impact may automation have on this problem?
6. Can you think of any instances of informal, tacit control of work pace exercised by an unorganized group of workers?
7. Assuming "featherbedding" is a problem in some situations, how would you handle it? Do you see possibilities for featherbedding to exist in managerial hierarchies as well as in the plant?
8. Discuss the advantages and disadvantages of seniority as a criterion to be used in layoffs and promotions. Can you think of other uses of seniority besides the use of it on the part of labor organizations?

9. It has been asserted that seniority may be a device for spreading the costs of aging more or less proportionately over the economy. Comment on this statement and its implications. Consider costs of abandoning seniority.
10. Debate the pro's and con's of grievance machinery as it exists and operates in industrial settings.
11. To what extent should a labor organization abridge the right of the employer to discharge workers? How would you achieve the correct balance between the responsibility of the firm to operate efficiently and the right of a worker to be secure in his job?

SELECTED READINGS

- DAYKIN, WALTER L. *Disciplinary Actions and the Arbitrators*. Research Series, No. 18. Iowa City: Bureau of Labor and Management, State University of Iowa, May, 1957.
- FARBER, DAVID J., with discussion by BELITSKY, A. HARVEY, and BARBASH, JACK, "Apprenticeship in the United States: Labor Market Forces and Social Policy," *The Journal of Human Resources*, Winter, 1967, pp. 68-96.
- GARDNER, B. B. *Human Relations in Industry*. Homewood, Ill.: Richard D. Irwin, Inc., 1945.
- HABER, WILLIAM, and LEVINSON, HAROLD M. *Labor Relations and Productivity in the Building Trades*. Ann Arbor: Bureau of Industrial Relations, University of Michigan, 1956.
- LIVERNASH, E. ROBERT. *The General Problem of Work Rules*, pp. 389-412. Proceedings of 14th Annual Meeting of the Industrial Relations Research Association. New York, December 28-29, 1961.
- MATHEWSON, STANLEY B. *Restriction of Output among Unorganized Workers*. New York: Viking Press, Inc., 1931.
- MAYO, ELTON. *Social Problems of an Industrial Civilization*. Boston: Division of Research, Harvard Business School, 1945.
- ROSS, ARTHUR M. "Do We Have a New Industrial Feudalism?" *American Economic Review*, December, 1958, pp. 903-19.
- SMYTHE, CYRUS F. *The Union as Arbitrator in Grievance Processing*. Reprint 33. Minneapolis: Industrial Relations Center, University of Minnesota, 1963.
- WEINSTEIN, PAUL A. (ed.) *Featherbedding and Technological Change*. Boston: D. C. Heath and Company, 1965.

EMPLOYMENT INSECURITY: COSTS AND CAUSES

Perhaps the most serious economic problem occasioned by the impacts of industrialization upon the labor market is that of employment insecurity. Compared with the modern industrial employee, the serf of the medieval manorial system enjoyed a much greater degree of economic security. To be sure, his *security* represented virtually a complete substitution for economic *freedom*, but at least he could expect continuous employment. By the same token, each member of a self-sufficient farm family in an agricultural society possesses much more employment security than the typical industrial worker. While continuity of employment for the former depends largely upon ability and willingness to work, employment of the latter is dependent upon a variety of forces over which he has little or no control. Thus, the modern industrial worker may be just as ambitious, just as able, and just as desirous of working in a given week as in the previous one; but he may still find himself unemployed, owing to the occurrence of general economic fluctuations, seasonal fluctuations, or technological innovations, none of which lie within the individual's control. Hence, it is not surprising to note that vast proportions of modern economic literature as well as of modern legislation deal with the general problem of employment insecurity, its causes, and its remedies.

Nature of Employment Insecurity

Employment insecurity, as herein considered, is largely a product of industrialization with its emphasis upon machine production, specialization, interdependency, and production by the large group as opposed to the individual, family, or small group. Complicating factors, of course, exist in the form of a complex money and credit system as well as the need to produce for markets which are relatively distant as to both time

and place. Still further intensification of the problem is caused by the fact that the private enterprise economy specializes in atomistic planning and decision making as regards production for market. While this characteristic of the economy offers many advantages, one of them is not a high degree of accuracy in production planning.

Insecurity of employment is a dual problem. It involves, first, the apparent inability of the industrial nation to maintain enough aggregate demand for labor on a continuous basis to accommodate the aggregate supply of labor. Secondly, there is the great difficulty of synchronizing demands for various grades of labor wherever they may exist with the supplies of various grades of labor wherever they may be found at a given time. Thus, even assuming that aggregate demand for labor is sufficient to provide the economy in a given year with an acceptably high level of employment over all, there would still undoubtedly be pockets of surplus labor in isolated labor markets, with other labor markets experiencing a severe shortage of certain grades of workers. Matching these extremes of demand and supply, however, has constituted an almost insurmountable problem to date because of the immobility of labor and other market imperfections. The matching problem is not just one with geographic mobility orientation, of course, but it involves as well the difficult task of having the unemployed supplies of labor at a given time and place educated and/or trained to mesh with the skill or educational level of the demands for labor wherever found. Relocating unemployed individuals would be of little benefit if they were found to be unable to master the jobs available in the new locality.

The problem of employment insecurity is associated largely with fluctuations in *demand* for labor rather than with alterations in the labor *supply*. While labor supply in a dynamic economy is a gradually growing element, and while it is subject to certain annual fluctuations, it is relatively more stable than is the demand for labor. Fluctuations in labor supply are largely geared to changes in the size of the nation's working-age population, while demand for labor may frequently be caused to fluctuate by numerous forces both inside and outside the economy.

Employment insecurity has often been referred to as one of the costs of a *free* labor market. Thus, it has been argued that if the individual would possess freedom in the choice of industry, firm, or region in which he will work, it follows that a certain amount of insecurity of employment must be endured. To give the society arbitrary control over the allocation of human resources would presumably lessen or eliminate employment insecurity, but it would also virtually eliminate freedom of occupational choice on the part of the individual, or at least in so far as a great many individuals are concerned.

Traditionally, economists of the free enterprise societies have maintained that the insecurity of employment occasioned by the free labor

market is essential to the rapid advancement of production and the overall scale of living. Professor Galbraith has noted in this connection that: "The desire for economic security was long considered the great enemy of increased production. The attitude was firmly grounded in the belief that the insecurity of the competitive model was essential for efficiency."¹

Involved with this traditional position was the firm belief that the secure worker would become lazy and complacent, with detrimental implications for national productive efficiency. Thus, there was a rather strong faith in the necessity of the "stick" of insecurity to goad the worker to efficient productive effort. Later decades have seen grave doubts entertained concerning the wisdom of this hypothesis. Some have even gone so far as to conclude that the constant threat of economic insecurity may result in less efficient rather than more efficient productive effort. Professor Galbraith recognizes this trend when he concludes that: "Plainly, however, the notion that economic insecurity is essential for efficiency and economic advance was a major miscalculation—perhaps the greatest in the history of economic ideas."² Instead of the traditional view concerning the matter of the desirability or necessity of economic insecurity, the typical industrial nation today apparently is committed to furnish employment opportunity for almost as many as seek it. Perhaps one of the major reasons for the about-face just noted is the realization that periodic unemployment does not necessarily fall to the lot of the grossly inefficient only. Rather, many efficient employees as well as relatively efficient firms are injured in the wake of widespread unemployment. Or it may be that the insecurity considered as essential to motivate production in a new society becomes less essential as a society matures and becomes more affluent.

Costs of Employment Insecurity

Employment insecurity, which often results in large numbers of the labor force being either unemployed or underemployed, is extremely costly to the unfortunate individuals and families directly affected. Millis and Montgomery, writing during the 1930's, observed: "To those who have lived through the postwar period no argument is necessary to prove that unemployment is outstanding among these risks and presents to working people their biggest single problem."³

¹ John Kenneth Galbraith, *The Affluent Society* (Boston: Houghton Mifflin Co., 1958), pp. 112–13.

² *Ibid.*

³ H. A. Millis and R. E. Montgomery, *Labor's Progress and Problems*, Vol. II, *Labor's Risks and Social Insurance* (New York: McGraw-Hill Book Co., Inc., 1938), p. 1.

The cost goes beyond the individuals or families directly affected, of course, and is assessed against the nation itself. Costs are both *direct* and *indirect*; they are *real* as well as *psychological*.

Direct and Real Costs of Unemployment. Probably the most obvious of the direct costs of unemployment to a nation is the loss of both capital and consumers' goods and services which are not produced because of the unemployment of resources. Thus, one writer estimates this cost as follows for the depression of the 1930's: "At reasonably full employment we could, during the 1930's, have made use of the services of 49 million persons, rather than the average of 42 million, and net output might have risen by about 16 percent, or by 124 billion dollars of goods and services (valued at prices of 1944)."⁴ The loss of \$124 billion of goods in terms of 1944 dollars was about the equivalent of the total national product for the year 1941. If all human wants had been satisfied in the United States by 1930, a year's total vacation on the part of the nation's people might have been defensible. When it is remembered, however, that human wants are virtually unlimited and that even the most basic wants of millions had not been satisfied by 1930, such a by-passing of goods production becomes totally indefensible. In millions of instances the loss at the level of the family represented a great, if not disastrous, decrease in the scale of living. Unemployment of 5.7 percent in 1963 probably meant a loss of over \$60 billion worth of goods and services, measured in current dollars.

The second direct cost of extended unemployment is closely related to the first and consists of the millions of man-years of labor which are forever lost. Labor has long been recognized as a perishable item, i.e., an hour's labor lost can never be recovered. Millions of man-years of precious human labor were lost directly as a result of unemployment during the 1930's, a loss which the people and the society could ill afford. In all, perhaps 70 to 80 million man-years of labor were lost during the period in question. During 1963, over 4 million man-years of labor perished.

A final item of direct cost to the economy stemming from extended periods of unemployment is that of the retardation or lack of economic growth. Economic growth, referring to the development of new and better productive resources, will not take place if present productive facilities are being used far below capacity. This will be true especially if entrepreneurs anticipate a continuation of widespread unemployment for some time in the future. As a result, instead of expanding its productive facilities steadily, the economy slows or ceases its growth and, in fact, because of depreciation and obsolescence, uses up facilities which have been created during past periods of growth. Thus, the nation, in effect, casts aside several months or years of economic development which is

⁴ Theodore Morgan, *Income and Employment* (New York: Prentice-Hall, Inc., 1947), p. 69.

essential to a continued rise in the scale of living enjoyed by its people. The actual size of this cost would be difficult indeed to measure.

Indirect and Psychological Costs. While the indirect and psychological costs of unemployment are not so spectacular as the more apparent and tangible direct costs, they are extremely important. Such costs are qualitative rather than quantitative in nature. For example, due to unemployment and downgrading of workers during a depression period, the nation's labor force suffers a qualitative loss in the lack of maximum use of the skills of its constituents and in the failure to train skilled workers at a normal rate. The seriousness of this indirect cost becomes apparent if it be noted that the effectiveness of a mature industrial nation's labor force is probably as dependent upon its educational skill and training level as upon its numerical size. The qualitative deficiencies of the labor force of the United States were all too apparent as the nation was forced to try to build its skill level rapidly with the onset of World War II. The principal saving factor may well have been the fact that Nazi Germany's labor force also underwent a qualitative deterioration during the depression of the 1930's.

Powerful psychological effects upon the unemployed individuals and their families eventually appear in the course of extended unemployment. Unemployment in a money-exchange economy constitutes a simultaneous threat to survival as well as a serious blow to the unemployed individual's self-respect and the respect of others for him. Even among the working class, the tacit judgment tends to be that a "good" worker can get and hold a job. The individual who finds himself unable to secure his first employment, or to find reemployment after a layoff, is in danger of losing the respect of others which is valued by him and his family. As the period of his unemployment is extended, the individual experiences a feeling of uselessness and concludes that he is being excluded by his society from the important business of earning a living for himself and his family. Eventual loss of family savings and possibly the home and durable consumption goods through foreclosure or repossession engenders a feeling of utter hopelessness and despair. Ultimately, the individual thus victimized may actually become one of the nation's unemployables as he resigns himself to "handouts" with the growing conviction that society owes him not an opportunity to earn a living but the living itself.

A study by the University of Michigan School of Social Work during the 1957-58 recession disclosed how painful even a short recession can be to those affected directly by it.⁵ One out of four families of this nation

⁵ See W. Haber, F. F. Fauri, and W. J. Cohen, *Significant Findings of the Impact of the 1957-58 Recession in Relation to Unemployment Insurance* (Ann Arbor: Subcommittee on Income Maintenance and Social Security, School of Social Work, University of Michigan, February, 1959).

was found to have suffered unemployment or loss of income through involuntary cuts in working hours, while only 30 percent of the unemployed received unemployment compensation during the full period of unemployment. Even with the aid extended through unemployment compensation, 12 percent of the families involved estimated they had lost \$2,000 income; 25 percent estimated an income loss ranging between \$1,000 and \$2,000; and another 25 percent indicated an income loss of \$500 to \$1,000. Ironically, unemployment hit hardest families earning under \$5,000 annually, with over 80 percent of these families taking emergency steps such as the following: 26 percent piled up debts, 22 percent borrowed money, 21 percent sought help from relatives, 11 percent moved to cheaper dwellings, and 4 percent went on relief. Many were forced to sell automobiles, refrigerators, or other durable goods.

When impacts such as those noted above are multiplied and extended over a longer period such as that of the 1930's, they may be reflected in loss of confidence in the social, economic, and political system under which the unemployed live. Psychologists studied many groups during the 1930's for evidence that unemployment or fear of unemployment may be responsible for an increasingly radical attitude toward the *status quo*. In one such study, two groups of engineers—similar in every respect, except that one group was employed while the other was unemployed—were carefully studied. The unemployed group was found to be much more cynical, pessimistic, and radical in general outlook than was the employed group. Next in leftist leanings were those of the employed group who feared they might be the next ones to be laid off.⁶ The development of such radical attitudes on a widespread basis can lead to acts of violence and/or revolutionary political and economic changes which may be too abrupt to be easily assimilated. Hunger marches of the unemployed upon the capital cities of industrial nations and the forceful prevention of the conduct of sheriffs' sales of evicted farmers' property are vivid examples of the type of actions just noted. At the same time, political revolution occurred in wholesale fashion in the industrial nations' elections, with subsequent enactment of experimental and revolutionary legislation by lawmaking bodies.

The direct and indirect costs of unemployment obviously tend to vary in severity with the number unemployed and the duration of the unemployment period. It should be apparent that the costs are of such importance as to make unemployment of sizable proportions something to be avoided by the industrial nation. Less severe instances and types of unemployment would seem to be worthy of the nation's attention also, since even these occurrences represent severe hardship for many individuals and families, even though the aggregate costs may not loom so large.

⁶ G. Williams, "The Making of a Radical," *Association of American University Professors Journal*, Summer, 1955, p. 308.

THE UNEMPLOYED

In defining in Chapter 2 the labor force concept, the unemployed, it was noted that federal governmental agencies such as the Bureau of the Census and the Bureau of Labor Statistics include in this category persons who are able to work, wanting to work, and seeking work, but who have not as yet obtained employment. Also included since February, 1957, are persons on temporary layoff of less than 30 days and persons waiting to begin a new job within 30 days. In defining the concept more fully in this chapter, it may be appropriate to indicate, first, some groups which are not included, as well as to point out some disguised forms of unemployment which exist in varying degrees at given times in the economy.

Those not included among the unemployed consist of so-called "unemployables" and those absent from the work place for certain reasons. In the first category would be found persons having employment but who are temporarily idle due to accident or illness, as well as persons who are incapable of work due to more or less permanent mental or physical disabilities. While both of these groups are unemployable, the first segment involves persons only temporarily unemployable, while the latter segment encompasses those who are considered permanently unemployable.⁷

Persons absent from the workplace, although they have employment, would include those voluntarily absent without pay because of strikes or absenteeism and those absent *with* pay due to the observance of contractually determined paid vacations or holidays. Obviously, persons within these groups are not unemployed in the technical sense and should not be permitted to influence unemployment figures. They are simply not at work for personal or contractual reasons.

Since January 1, 1967, persons aged 14 and 15 are no longer counted as part of either the labor force or of the unemployed. Also, persons are no longer counted as unemployed who are not available for employment at the time the survey is taken. For example, a university or high school student who is applying for summer employment in the month of April would not be counted as unemployed unless he is still without employment in June since, in April and May when his school is in session, he is not really available for employment. Finally, since January 1, 1967, persons on vacation from their regular job or persons on strike who may be looking for temporary employment are not considered to be unem-

⁷ While the term *unemployable* is used here for both the temporarily and permanently disabled, it should be noted that the Bureau of the Census technically counts persons as *employed* who are temporarily absent from work because of illness or accident. It should further be noted that owing to changing employers' standards, persons considered unemployable at a given time may be held employable later.

ployed. Under law, a person engaging in a legitimate strike retains possession of his job during the strike while a person enjoying a contractually provided paid vacation also obviously still has possession of his job.

Finally, persons who do not want employment and hence do not want to be a part of the labor force at a given time are not and should not be counted as unemployed. This group would include married women, for example, who might have joined the labor force and, perhaps, were gainfully employed during a portion of the year but who now wish to be considered as outside the labor force while they return full time to the status of housewife. Others who might be included among those not wanting work would be students who might have been among the employed during the summer months but who, once schools have reconvened, no longer wish to be within the labor force. A third group may be noted here, too, namely, persons aged 65 or over who may have accepted employment during a portion of the year but for health or other reasons may have given up their jobs and have stopped looking for further employment.

A form of *concealed* unemployment may exist at times which is not reflected in unemployment data. Reference intended here is to work groups whose working hours have been involuntarily cut below the normal level due to locally or generally lagging economic activity. Thus, for example, it has been traditional, as noted in Chapter 7, to cut working hours during a recession before resorting to large-scale layoffs. Workers affected by such cuts in working time are at least partially unemployed, but none of this is reflected in unemployment statistics, while those on layoff become a part of the unemployment picture very quickly.

Another form of unemployment which is not apparent to many who follow trends in unemployment data might be classed as underemployment. This type of unemployment includes those workers who, because of layoffs and downgrading during recession periods, find themselves working at jobs beneath their training or skill level. In a sense, these persons are also partially unemployed but, of course, are not a part of official reports on employment.

EXTENT OF UNEMPLOYMENT

As noted in Table 8-1, the extent of unemployment in the United States has varied greatly in the years since 1929. The range in annual averages has been all the way from a low of 700,000, or 1.2 percent of the civilian labor force in 1944, to a high of 12.8 million, or 24.9 percent of the civilian labor force in 1933. Average annual unemployment percentages also have varied widely as between different periods. Thus, the years 1930-41, inclusive, produced an average annual unemployment of

Table 8-1 Extent of unemployment in the United States, 1929-68

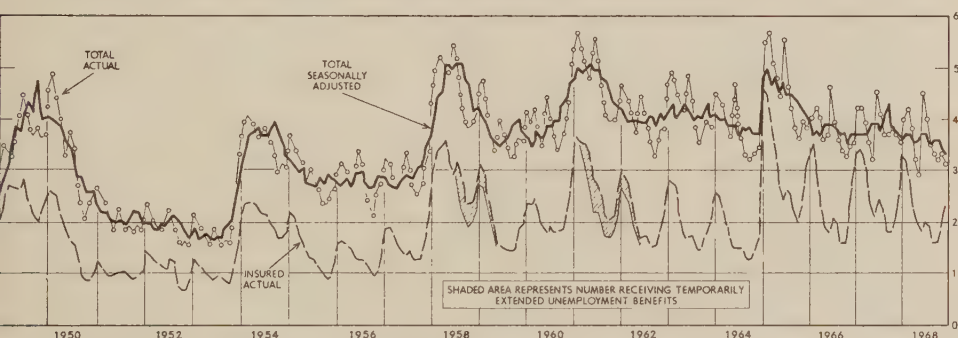
Year	Number of Unemployed (in millions)	Percentage of Civilian Labor Force	Average Weekly Hours in Manufacturing
1929.....	1.5	3.2	44.2
1930.....	4.3	8.7	42.1
1931.....	8.0	15.9	40.5
1932.....	12.1	23.6	38.3
1933.....	12.8	24.9	38.1
1934.....	11.3	21.7	34.6
1935.....	10.6	20.1	36.6
1936.....	9.0	16.9	39.2
1937.....	7.7	14.3	38.6
1938.....	10.3	19.0	35.6
1939.....	9.4	17.2	37.7
1940.....	8.1	14.6	38.1
1941.....	5.5	9.9	40.6
1942.....	2.6	4.7	42.9
1943.....	1.1	1.9	44.9
1944.....	0.7	1.2	45.2
1945.....	1.0	1.9	43.4
1946.....	2.2	3.9	40.4
1947.....	2.1	3.6	40.4
1948.....	2.1	3.4	40.1
1949.....	3.4	5.5	39.2
1950.....	3.1	5.0	40.5
1951.....	1.8	3.0	40.7
1952.....	1.6	2.7	40.7
1953.....	1.6	2.5	40.5
1954.....	3.2	5.0	39.7
1955.....	2.6	4.0	40.7
1956.....	2.5	3.8	40.4
1957.....	2.9	4.3	39.8
1958.....	4.7	6.8	36.7
1959.....	3.8	5.5	40.3
1960.....	3.9	5.6	39.7
1961.....	4.8	6.7	39.8
1962.....	4.0	5.6	40.4
1963.....	4.2	5.7	40.4
1964.....	3.9	5.2	40.7
1965.....	3.4	4.5	41.2
1966.....	2.9	3.8	41.3
1967.....	3.0	3.8	40.6
1968.....	2.8	3.6	40.7

Sources of Data: Joint Economic Committee, *Historical Supplement to Economic Indicators* (Washington, D.C.: U.S. Government Printing Office, 1957); and Council of Economic Advisers, *Economic Indicators* (Washington, D.C.: U.S. Government Printing Office, March, 1969).

17.2 percent of the civilian labor force. By contrast, the years 1942–50, inclusive, saw annual unemployment averaging only 3.1 percent of the civilian labor force. The time period 1951–60, inclusive, produced a much higher average of 4.3 percent of the civilian labor force unemployed. The most recent period shown—1965–68—was characterized by a return to lower percentages of unemployment reminiscent of those during 1955–56.

Within the last two time periods noted, peaks of unemployment occurred in the postwar recession years 1949, 1954, and 1958. Of these peaks, that of 1958 was the highest, with an average of 6.8 percent of the civilian labor force being out of work.⁸ In contrast to the peak levels attained in the 1930's, however, all of the postwar peaks in unemployment have been nominal.

Figure 8-1 Unemployment rate January 1949 to 1968 (seasonally adjusted)



Insured under following programs: state unemployment insurance, unemployment compensation for federal employees, veterans, ex-servicemen, railroad workers (RRB), and temporary programs.

Beginning in January, 1960, data include Alaska and Hawaii.

Source: U.S. Department of Labor.

The occurrence of concealed unemployment, as discussed above, is also apparent in Table 8-1 in the fluctuation of average weekly hours in manufacturing. Thus, average weekly hours dropped to 34.6 in 1934 from 44.2 in 1929; they dropped to 39.2 in 1949 from 40.1 in 1948; they declined to 39.7 in 1954 from 40.5 in 1953; and they fell to 36.7 in 1958 from 40.4 in 1956.⁹ It is obvious that the concealed as well as the

⁸ While 6.8 percent was the yearly average in 1958, several months exceeded this, with the high point being reached in April, when 7.5 percent of the civilian labor force was unemployed (seasonally adjusted). (See Figure 8-1.)

⁹ It is also apparent from Table 8-1 that unemployment in 1959–60 was higher than it had been previous to the 1957–58 recession. Furthermore, the first quarter in 1961 saw unemployment of 6.8 percent of the civilian labor force, or almost as high as it had reached during the 1957–58 recession.

apparent unemployment was more pronounced in the 1930's than in the postwar recession years.

Normal Unemployment

Experience in the free enterprise economy has demonstrated that even under conditions of most intense economic activity, a minimum level of unemployment will be in evidence. Thus, even in 1944, the peak war year for employment, an average of 700,000 persons were unemployed, or 1.2 percent of the civilian labor force. The lowest level of unemployment attained in any peacetime year since World War II was 1.6 million persons unemployed, or 2.5 percent of the civilian labor force, in 1953.

The inevitability of some degree of unemployment in the economy at all times is in large measure due to the freedom of choice afforded the individual in the labor market of a free enterprise economy. As long as this prevails, there will always be persons moving from one job to another or persons looking for their first employment. Furthermore, changes in business organization, the occurrence of seasonal or technological layoffs, and the sundry imperfections of competition found in the free labor market will inevitably lead to some unemployment at all times.

Recognition of the above facts has led many students of this area to refer to a concept known as *normal unemployment*. The implication herein is that some level of unemployment for a given society and at a given time would be considered normal and should occasion no serious concern. Only if unemployment rises above this level would it be considered abnormally high. This introduces the rather vexing question of how much unemployment should be considered normal.

The level of unemployment which is considered normal depends greatly upon the vested interests and biases of the group or individuals involved. Representatives of labor and of labor organizations, therefore, often speak of any unemployment above 2 percent of the civilian labor force as being abnormally high. In part, this reflects concern for the economic interests of workers and their families; in part, it probably reflects the knowledge that bargaining strength of the union is enhanced by tight labor markets. Employers or representatives of employer associations, on the other hand, have been heard to speak of unemployment as high as 8 percent of the civilian labor force as being normal. This position undoubtedly stems in part from the desire on the part of the entrepreneur to have outside the plant gates at all times a pool of unemployed labor on which he may draw in the event he needs to expand his work force. Then, too, employers and their associations know that this level of unemployment definitely redounds to the enhancement of the bargaining strength of the firm and thus serves to act as a brake upon too rapid wage advances.

Normal unemployment as envisioned by academic economists probably ranges between 3 and 6 percent. John M. Clark, writing in 1945, saw unemployment of about 5.5 percent as normal for the United States.¹⁰ Theodore Morgan writes in the same connection as follows: "We follow a middle-of-the-road judgment and define acceptable full employment to mean that about 5 percent of the work force would on average be out of work."¹¹

Professor Morgan includes in his discussion a quotation from Lord Beveridge of England in which 3 percent is mentioned as an adequate "allowance for unavoidable unemployment" in the English economy.¹² Economic advisers of the Kennedy and Johnson administrations often referred to 4 percent as a normal level of unemployment to try to achieve or to better between 1961 and 1968. Economic advisers to the Nixon administration have spoken of the possible necessity of allowing unemployment to rise as high as 4.5 percent to check inflation.

It is highly possible that the level or range of acceptable normal unemployment will vary over the course of a nation's industrial development. Thus, it is possible that in a nation where increased employment of children, women, and persons aged 65 or over has become common, a higher percentage of unemployment might be tolerable than in a nation where labor force participation rates for the groups mentioned are low. It should also be noted that the upper limit posed for normal unemployment by academic economists may be close to what might be termed the limit of political expediency. That is, as the level of unemployment approaches 5 to 6 percent, it is possible that pressures upon federal legislative and administrative agencies to "do something about it" become too pronounced to evade with political impunity. This appears to have been somewhat the case in the recessions which have occurred since World War II.

The relationship between the so-called "normal" level of unemployment and price level fluctuations has also been commented upon frequently in the past two decades. In this connection, frequent reference has been made to work done by A. W. Phillips of England on the relationship between the rate of unemployment and price level fluctuations in the United Kingdom from 1861 to 1957. Translated into the now-familiar Phillips' Curve—with average price rise per year percentage-wise on the vertical axis and the annual rate of unemployment on the horizontal axis—the conclusion is made that the money wage level would stabilize with 5 percent unemployment, while the rate of money wage increase could be held to the 2 to 3 percent rate of annual productivity

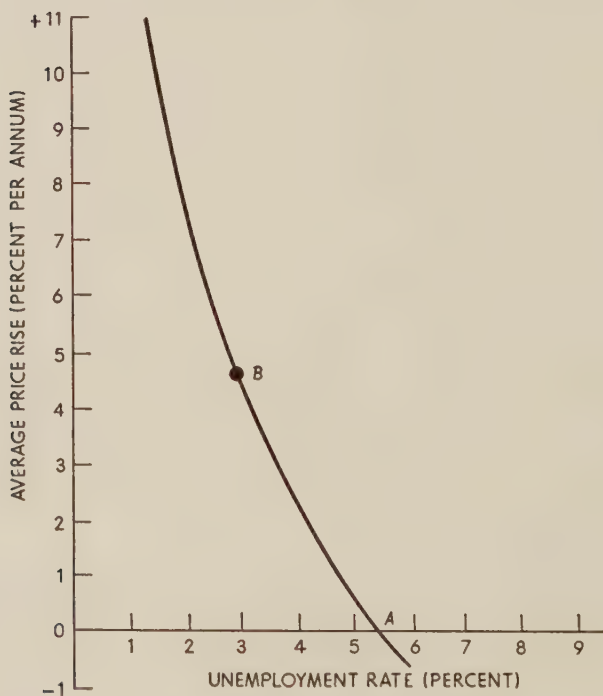
¹⁰ John M. Clark, "What Is Full Employment?" in Joseph Shister (ed.), *Readings in Labor Economics* (New York: J. B. Lippincott Co., 1951), pp. 514-16.

¹¹ Morgan, *op. cit.*, p. 80.

¹² *Ibid.*, p. 81.

increase if unemployment is at 2.5 percent per year. Professors Samuelson and Solow in this country adapted the Phillips' Curve to American data and concluded that about 5.5 percent unemployment would be needed for price stability, while 4.0 percent unemployment would tend to lead to price-level increases of about 2.5 percent per year and 3.0 percent unemployment to price-level increases annually of roughly 4.5 percent.¹³ (See Figure 8-2.) If the reasoning behind the Phillips' Curve

Figure 8-2 Modified Phillips Curve for U.S. (This shows the menu of choice between different degrees of unemployment and price stability, as roughly estimated from last twenty-five years of American data.)



Source: *American Economic Review*, May, 1960, p. 192.

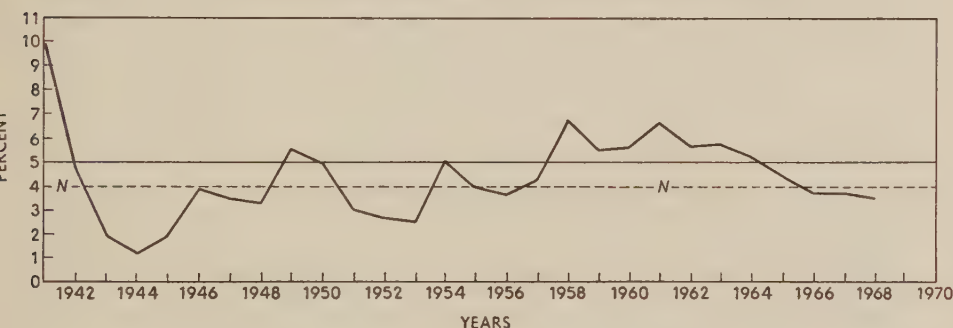
is correct, it would appear that the level of unemployment necessary for price stability would be *unacceptable* to the people of this economy, given the observations relative to political feasibility above and given the current tendency to place the goal of full employment above that of price stability. The extent of excess or abnormal unemployment in the

¹³ Paul A. Samuelson and Robert M. Solow, "Analytical Aspects of Anti-Inflation Policy," *American Economic Review*, May, 1960, pp. 177-94.

nation is dependent upon what is held to be “normal” for the society, given a free labor market. Thus (see Figure 8-3), if unemployment equal to 4 percent of the civilian labor force is taken as being normal, the United States has had above normal unemployment on three occasions since World War II—1948-50, 1953-55, and 1957-65. If 5 percent unemployment is termed normal, only two periods of slightly above normal unemployment have been experienced since World War II—1948-50 and 1957-65. But if normal unemployment is placed as high as 6 percent of the civilian labor force, only two years of above normal unemployment have occurred since 1945, the years of 1958 and 1961. Regardless of the judgment of academicians, public reaction to the periods of unemployment since World War II would tend to indicate that all three periods were popularly considered periods of above normal unemployment.

The opposite side of the normal unemployment coin, of course, is the concept of *full employment*. Thus, it has become quite common to speak

Figure 8-3 U.S. unemployment as percentage of civilian labor force, 1941-68



of employment as *full* as long as the degree of unemployment is not above the normal level being advocated. Full employment in the thinking of academic economists would probably range, therefore, from 94 to 97 percent of the civilian labor force. While the use of the term *full employment* in this manner is technically incorrect, in that *full* implies 100 percent employment, it has become so common, as John M. Clark has noted, that its use would appear to be acceptable.¹⁴

Duration of Unemployment

Another gauge of the seriousness of unemployment in a nation is the average duration of unemployment. As long as the average is relatively

¹⁴ Clark, *op. cit.*, pp. 514-16.

low, the unemployment involved may be more or less normal or frictional in nature, as is consistent with a free labor market. Rising average duration of employment, on the other hand, is probably an indication of abnormally high levels of unemployment or their approach. It should be noted, however, that average duration of unemployment lags somewhat behind total unemployment. Thus, when total unemployment begins to rise at the outset of a recession, average duration of unemployment will decline for a time as newly unemployed persons pull down the average duration. Similarly, when total unemployment starts to decline near the end of a recession, average duration will continue to rise for as much as two calendar quarters, reflecting the common policy of laying off last those with most seniority and calling back first those with most seniority. The end result is to leave unemployed those who already have been unemployed the longest and this naturally causes average duration of unemployment to go on rising until the economy is well enough recovered for most of the long-term unemployed to have been recalled or to have given up their search for employment.

As of 1940, Professor Chamberlain notes that of the 8 million unemployed on average in that year, 17 percent had been out of work for two years or more, while another 13.5 percent had been jobless from one to two years.¹⁵ Thus, the duration of unemployment in the extreme cases noted was very high coming out of the depression of the 1930's.

During the 1949-50 recession, average duration of unemployment rose from 8.6 weeks in 1948 to a high of 13.4 weeks in the second quarter of 1950. Recovery from the recession, as reflected by employment figures, had actually begun in the fourth quarter of 1949. Similarly, in the recession of 1953-54, average duration of unemployment rose from 8.1 weeks in 1953 to 14.7 weeks in the second quarter of 1955, even though the recovery had definitely begun in the fourth quarter of 1954.

Average duration of unemployment tends to vary directly with the age of the worker after age 20. The very young workers, those aged 14 through 19, tend to experience rather high average duration of unemployment, as do those in the age group 65 and over. Average duration of unemployment rises gradually for successive age groups above age 20. This, in part, serves to show why older workers tend to favor very strongly seniority provisions in the labor contract.

CAUSAL CLASSIFICATION OF UNEMPLOYMENT

Unemployment as experienced in the industrial economy may be classified as to predominant causes. It is recognized that to combat the

¹⁵ Neil W. Chamberlain, *Labor* (New York: McGraw-Hill Book Co., Inc., 1958), p. 581.

problem of unemployment, it is necessary to isolate its principal causes and to acknowledge that the causes are, in fact, quite varied. The major classifications utilized will be treated briefly in the ensuing discussion.

Frictional Unemployment

Frictional unemployment is that which stems from the various frictions or imperfections of competition which exist in the actual labor market.¹⁶ It is only in the classroom concept—the perfectly competitive labor market—that gears mesh smoothly and workers move with precision into their first job and between jobs. In the typical labor market of the industrial economy, workers often lack knowledge of job opportunities or the requisite degree of mobility to make essential or desirable moves quickly. The time lag which exists on average for high school and college graduates to acquire their first jobs or positions is an example of frictional unemployment. The average time required for workers leaving one job to locate and start work in another is also a form of frictional unemployment. In fact, frictional unemployment has sometimes been referred to as unemployment between jobs.

In a sense, frictional unemployment might be termed a by-product of economic efficiency; and as such, it reflects the dynamic nature of an economy. Such an economy will always be in the process of moving human resources out of industries which are declining in importance in the economic sense into industries which are growing in economic importance. This is the process by which human resources are constantly reallocated by the pricing mechanism from points of lesser return to the individual and the society to points of greater return to all concerned.¹⁷

Frictional unemployment is a chronic type of unemployment, i.e., it is constantly present in the free enterprise economy. In periods of high-level economic activity, frictions are at a minimum; but nevertheless, there will still be some unemployment even in such periods due to frictions in the labor market. In periods of slackened economic activity, the frictions become more pronounced, so that a longer time on average elapses before a person secures his first job or finds a replacement for a prior job. If a nation can maintain a generally high level of economic activity, frictional unemployment will not constitute much of a problem. Rather, it should be thought of as a natural characteristic of the free

¹⁶ It should be obvious to the student that there would be a very close relationship between frictional unemployment and the concept, normal unemployment.

¹⁷ Between 1955 and 1957, according to the Bureau of Labor Statistics, entry of new workers into labor markets accounted for about 20 percent of unemployment, voluntary job shifting accounted for 10 percent, and seasonal factors accounted for 20 percent.

labor market and one which can be mitigated by private and public employment offices.

Seasonal Unemployment

Seasonal unemployment refers to unemployment which results from fluctuations over the course of the calendar year in the level of employment which are attributable to climatic conditions and/or to sporadic buying habits. In the former instance, seasonality is obviously much more pronounced in areas of the nation which experience the sharpest seasonal changes in temperature, notably the Midwest, North, Northeast, and Rocky Mountain areas. Sporadic buying habits, however, occasion considerable seasonal fluctuations in employment in every section of the country. While it is true that some sporadicity in buying habits is caused by seasonal temperature and weather changes, which would be more pronounced in the sections of the nation noted above, buying habits are also influenced by such items as national holidays, customs, and the length and timing of the school year.

Because of the greater number of industries affected by the sporadic buying habits of customers, it has long been recognized that this cause of seasonal unemployment is more powerful than that of weather or climate. Some degree of seasonality is undoubtedly present in virtually every industry, but some industries are widely known as "seasonal industries" because they experience extreme differences between their annual peaks and valleys in employment levels. Some of the industries in the latter category would be agriculture, lumbering, mining, Great Lakes shipping, contract construction, and industries which are complementary to those named. It is obvious that most of the seasonal industries named are in this category because of the influences of weather primarily. Other industries, such as the clothing industry and the automobile industry, experience a degree of seasonality because of periodic style changes expected by potential customers of clothing and automobiles.¹⁸

Seasonal unemployment is not spread evenly over the calendar year but tends to be at its maximum in the winter months and at its minimum in the fall. This is so because there are more industries having peak output levels in summer and fall months than in the winter months, and these industries also tend to employ the bulk of the labor force. The closing of schools during summer months and their reconvening in September combine to hold unemployment levels up somewhat during the summer while bringing them to their low point usually in October.

¹⁸ Professor Kuznets has noted that the excess of labor supply attributable to seasonal causes may be nearly 15 percent for construction, 3 percent for manufacturing, and about 5 percent for total trade (Simon Kuznets, *Seasonal Variations in Industry and Trade* [New York: National Bureau of Economic Research, 1933], p. 353).

It has been estimated that seasonal unemployment may vary as much as 40 percent within a calendar year.¹⁹ That is, unemployment due to seasonal causes would typically range from about 20 percent above the annual unemployment average in February to about 20 percent below the annual average in October. Thus, if average unemployment for a given year be 3 million, unemployment in February would be about 3.6 million, while the October figure would be in the neighborhood of 2.4 million.

The fact that seasonal unemployment is not evenly distributed over the calendar year is a complicating factor in the handling of this type of unemployment, since the industries laying off workers in the winter months are unfortunately not matched by an equal number taking on additional workers. A further complication, of course, exists in the fact that workers seasonally unemployed do not move smoothly into industries that are expanding employment at the time. This complication may be attributable in part to imperfections of the labor market in the form of general immobility of labor and lack of knowledge of employment opportunities. Institutional factors, such as provisions of state unemployment compensation laws, may also play a role here.

Beginning with Adam Smith's *Wealth of Nations* in 1776, classical economists tended to assume that seasonal unemployment would largely be compensated for in the form of higher wage rates, other things being equal. Recent studies, however, have frequently shown average wage rates in highly seasonal industries to be lower than average wage rates in the less seasonal industries. Coal mining and construction would appear to be exceptions to this observation. However, the relatively high wage rates in these industries are probably due in large measure to the expert wielding of monopoly power by the United Mine Workers and the sundry building trades unions, coupled with the relatively inelastic demand for coal and construction during peak seasons. Thus, since seasonality of employment is not generally compensated for by higher wage rates, this means that the costs of seasonality are borne to a considerable degree by the wage earner rather than by the consumer. As a result, severe individual economic problems are brought into being, as well as aggregative problems as related to the most economic use of human resources.

In contrast to the complicating aspects of seasonal unemployment discussed above, there are some recognized mitigating aspects as well. Thus, seasonal unemployment in most industries is highly regular and predictable, so that the employees and employers affected can make plans for coping with it which will be more effective than in the case of

¹⁹ Herman Travis, "The Structure of Unemployment in Recent Years," *Monthly Labor Review*, October, 1956, pp. 1147-51.

relatively more unpredictable and irregular types of unemployment. Another characteristic of seasonal unemployment which is conducive to planning is the fact that it is relatively limited and certain as to duration. The typical coal miner not only knows about when he will be laid off each year but also knows about how long a period of time his layoff will cover.²⁰ Hence, he can estimate with reasonable accuracy the amount of funds he and his family will need for the interim period. Society, too, can tailor its unemployment compensation benefit period to cover the average duration of seasonal unemployment as a result of the relative certainty involved. Finally, since seasonal unemployment is not concentrated in one or two months of the year but is found to a degree in every month, relatively small percentages of the civilian labor force are affected at any given time by such unemployment. Thus, the aggregative blow to the society is minimized somewhat and spread over a relatively wide time base.

Technological Unemployment

While technological unemployment is frequently defined in terms of the displacement of human labor by the introduction of laborsaving technology, it should also include loss of employment resulting from the use of new methods or processes of production, new materials, and improved methods of industrial management. It is probable, however, that the major portion of technological unemployment does stem from the introduction of laborsaving machinery, as is implied in the designation given this type of unemployment.

The question of the effects of technology upon employment has been debated with varying degrees of intensity ever since industrialization began. Members of the working class as well as its spokesmen have been convinced on occasion that machines destroy more jobs than they create. Others, notably economists and employer representatives, have argued that machines create more jobs than they destroy. Opposition of workers to the earliest machines frequently took the form of violent action to destroy the mechanical devices and to do bodily harm to their inventors.

One nineteenth-century English writer commented upon the violence noted above as follows: "Thus in 1811-12, stocking and lace frames had been applied to the staple manufactures of Nottingham, and the discontented labourers, foreseeing or fancying that their livelihood would be imperiled, broke into houses and destroyed the frames. The legislature

²⁰ This refers, of course, to coal miners affected by seasonal layoffs only. The big problem in coal mining today is structural unemployment rather than seasonal. Structural unemployment is discussed in succeeding pages.

thereupon passed an Act afflicting, as usual, the punishment of death on the frame-breakers."²¹

Mr. Rogers goes on to note that the principal effects of the inventions just commented upon were those of impoverishing the handloom weaver, bringing sizable royalties to the inventors, Arkwright and Peel, and greatly increasing industrial profits. On the other hand, he notes, the machine weaver's position was not soon improved by the coming of the machine, since his "wages remained low, his means were even straitened, and the misery of the manufacturing districts was more greater [*sic*] than that of agriculture."²² Thus, for a time at least, the forebodings of the hand-loom weaver appeared to become bitter reality.

In the long debate over the employment effects of technology, a great deal of confusion has been generated owing to the fact that the short-run, specific (micro) effects of the introduction of technology are quite different from the long-run, aggregative (macro) effects thereof. In the short-run specific situation, workers *are* laid off when laborsaving machinery is introduced. In the long run a good deal of evidence seems to indicate that the *total* demand for labor in general within the economy is not apparently hurt by the increased use of technology, even though the demand for specific grades or types of workers may be affected negatively even in the long run. Thus, in the year 1968 with more technology being used in production than at any time in the past, the nation nevertheless provided jobs for a record approximately 75.9 million persons. It would appear that over the long run from 1790 to 1968 *more* jobs had been found in the wake of increased use of technology; certainly the employment of human beings had not ceased. It should be recognized, of course, that this long run also witnessed the gradual redefinition of the term, job; consequently, while a job in 1790 might typically consist of 14 to 16 hours per day, a job in 1968 would typically consist of 7 to 8 hours per day with longer weekends and more paid holidays and vacations. It is thus a moot question whether the society could have provided 75.9 million jobs in 1968 as jobs were defined in 1790.

Economists of the nineteenth century and also of the present century have often advanced what might be termed the *automatic absorption* theory to minimize the seriousness of technological unemployment. In this connection, it is insisted that workers displaced by technology will rather quickly be absorbed by the economy in employment elsewhere or by reemployment in their original industry. Thus, in a given industry for whose output the demand is highly elastic, the advent of technology, by decreasing production costs and lowering the commodity price, will

²¹ James E. T. Rogers, M. P., *Six Centuries of Work and Wages: The History of English Labour* (New York: G. P. Putnam's Sons, 1884), p. 495.

²² *Ibid.*

occasion such an increase in the amount demanded of the industry's output that workers laid off when the machinery was installed will be quickly reemployed. On the other hand, in an industry where product demand is highly inelastic, relatively few laid-off workers, if any, will be reemployed; but the extra consumer dollars released from this industry by the machine-induced decline in price will be spent elsewhere, assuming no change in the consumption function. Hence, the workers who were laid off will gradually be absorbed in employment by other industries which have experienced an increase in demand. In most situations, in actuality, some combination of reemployment and employment elsewhere of laid-off workers probably would take place, rather than either of the extremes just noted.

As a result of the reasoning above, most economists of the classical school, especially, have argued traditionally that any unemployment occasioned by the use of technology would be brief and unimportant. In addition, it allegedly would be quickly self-erasing and should not be thought of as constituting a problem requiring governmental action. Other economists, starting with John Stuart Mill as early as the mid-nineteenth century, have contended that even though the unemployment under discussion might resolve itself in time, it did constitute a serious problem for families affected, who should, in turn, be objects of protective consideration by legislative bodies.

Some twentieth-century studies of technological unemployment within given industries have arrived at conclusions quite similar to those of Mill. First, technologically displaced workers have been found to experience several months of unemployment, on average, following their layoff, with the average length of unemployment being largely a function of age and skill. Secondly, studies have generally found that the technologically displaced worker, upon being reemployed, has been forced to accept drastically lower annual income and hence a markedly lower scale of living. Finally, such investigations have shown that the average displaced worker, upon being employed again, gains much less satisfaction from the new job than he had experienced on his former job. This was especially true of older skilled workers, since they generally lost more in status and income as a result of their layoff and eventual reemployment than did younger and less skilled workers.

In actuality, a number of factors will operate to determine the seriousness of the effects of technology upon employment in a given situation. These factors would include the elasticity of product demand, the ultimate effects of technology upon produce price, the flexibility of wage rates, whether the technology actually displaces labor or merely reallocates labor, whether the technology involves a new method of producing an existing good or the production of an entirely new good, the general state of the labor market and the level of overall economic activity, and

the average age level and mobility of the workers displaced. The influence of each of the factors noted can briefly be summed up as follows:

1. The more elastic the product demand, the less serious will be the effects upon employment.
2. The more marked the downward influence upon product price, the less serious will be the effects upon employment.
3. The greater the flexibility in wages, the less serious will be the employment effects.
4. Technology which merely reallocates labor—say, from skilled to semiskilled jobs and the like—will have less serious employment effects than technology which entirely displaces many workers.
5. Technology involving new ways of producing an existing good would probably have more serious effects upon employment than technology for producing a new good.
6. The lower the level of employment in a given labor market and/or in general, the more serious the employment effects of technology.
7. Finally, the higher the average age level of workers displaced, the more serious the employment effects would tend to be.

Automation. In the years since World War II a new term, *automation*, has been used to designate contemporary strides in mechanization. This term has been used both as a “scare word” to hint at dire consequences employmentwise of modern mechanization and as a term synonymous with an alleged “new industrial revolution.” In both instances, it would appear that the extreme positions are scarcely justified by the developments.

Automation embodies three components: computer technology, continuous process or integration, and feedback control. Of the three components, only the first can be said to be of relatively recent origin. Computer technology, which involves the use of electronic devices for rapid checks of industrial or office operations and the speeding-up of data processing and record keeping, is largely a product of the World War II era. Continuous process or integration refers to the general principle of feeding in raw materials at one end of the productive process while the finished products emerge at the opposite end, with an absence of human handling or manipulations in the interim. This is not a new idea per se, but goes back in time at least to colonial grist mills of the eighteenth century in the United States. Feedback control, involving the detection of errors in the automatic process by some kind of gauge, which then sets in motion automatic compensatory forces, is also not a new concept, since the governor on Watt’s eighteenth-century steam engine embodied the salient features of this component.

In view of the above brief summary of the elements of automation, it can scarcely be justifiably referred to as a *new* industrial revolution.

Rather, it is merely a continuation of the industrial revolution which began in the eighteenth century. Similarly, the consequences employmentwise will probably not be so formidable, generally speaking, as has often been feared or forecast. It is true that both the type and the quantity of labor required for many particular operations in industry will be altered. It is also apparent that the national requirements for skills in the labor force as a whole will be affected. A little reflection, however, will soon lead to the conclusion that earlier progress in mechanization resulted in similar developments. Three sobering observations should be noted, however. While earlier forms of mechanization replaced human muscle, many forms of modern automation would appear to replace human brains to a degree as well. Additionally, while earlier forms of mechanization were often introduced in this nation when labor was relatively scarce, the initiation of automation today occurs at the same time that the labor force is and will be growing at a record-breaking rate. Finally, while many of the earlier mechanical inventions had serious effects in a given industry such as textiles but were not applicable to other industries, many aspects of automation are applicable to a large number or even a majority of industries. Thus, the effects upon employment may tend to be broader than those of many earlier inventions.

In speculating about some of the changes or effects which may stem from the development of automation, it should be noted at the outset that the effects will not develop overnight, any more than did the effects of earlier mechanization. Furthermore, effects on labor force constituents will involve upgrading, downgrading, and displacing of workers—not merely their displacement. Unskilled labor will no doubt continue to shrink in importance. Semiskilled labor, brought to the fore by earlier mechanization, may lose some ground, relatively speaking, to the skilled and technical categories. Professional and managerial groups will probably not be affected negatively as to employment, but their decision-making processes may well be greatly enhanced by the use of computer technology.

Industrywise, manufacturing will probably constitute the most fertile area for automation, while construction and mining will not be found generally to lend themselves to automation.²³ Transportation, communications, and other public utilities have already been mechanized to a very high degree, so the employment effects of automation in these categories will be relatively at a minimum. Automation in manufacturing

²³ By 1960 the annual installation of automation equipment was estimated at \$6 billion. The *cost* and *time* involved in converting to automation will slow down its spread. It has been estimated that it would take \$500 billion and fifty-five years to automate manufacturing fully. It has also been estimated that an investment of about \$35,000 is needed for each worker displaced by automation. See Economics Research Department, Chase Manhattan Bank, *Business in Brief*, March–April, 1961, pp. 4–5.

will undoubtedly accelerate the tendency noted in recent decades for manufacturing employment to decline relative to employment in other major categories. Automation may have some effect upon the type of wage payment utilized by causing possibly some decline in the use of incentive or piece wages in favor of some return to time wages. The principal reason behind incentive wage plans has been that workers in control of the work pace would thereby be induced to produce at their maximum rate of efficiency. Under automation, however, the work pace will no longer be controlled by the worker; hence, the major reason for incentive wages will have been eliminated.

Despite the fact that the observations made above have led many to conclude that the effects of automation will be gradual and less drastic than has been pictured on occasion, there are those who predict dire results following in the wake of automation. One such writer has been the late Professor Wiener: "Let us remember that the automatic machine, whatever we think of any feelings it may have or may not have, is the precise economic equivalent of slave labor. Any labor which competes with slave labor must accept the economic conditions of slave labor. It is perfectly clear that this will produce an unemployment situation, in comparison with which the present recession and even the depression of the thirties will seem a pleasant joke."²⁴

Obviously, there will be some short-run employment effects which will constitute problems for specific persons, industries, and areas. Studies of large-scale short-run layoffs have shown that displaced workers *do* have a problem trying to secure reemployment. The problem is especially acute for workers in later middle age and for those in the lower educational, skills, and income levels.²⁵ When reemployment is secured, it may well be found to be at a wage below the accustomed level with general satisfaction gleaned from the new job also at a level below that found in the prior job. But the predictions of the most pessimistic writers appear to overlook the fact that there are mitigating aspects of automation which tend to generate some optimistic outlooks. These would include the gradual spread of automation, the raising of the overall skill and income level of the work force, the elimination of many boring routine jobs, and the perfecting of the decision-making processes through the rapid availability of necessary supporting data. One further point should be noted, namely, that automation, which is expected to spread rapidly in large offices, will continue to make increasingly similar the status and

²⁴ Norbert Wiener, *The Human Use of Human Beings* (New York: Cambridge University Press, 1950), p. 189. Often referred to as the father of automation, Professor Wiener passed away in March, 1964, at the age of 69.

²⁵ For example, see J. John Phalen and Frank J. Fahey, "Unemployment and Reemployment Success: An Analysis of the Studebaker Shutdown," *Industrial and Labor Relations Review*, January, 1968, pp. 234-50.

work of the machine tenders in offices and those on production lines. This could hasten the eventual organization of clerical workers, a goal which has been long since adopted by the AFL-CIO.

Perhaps one further comment is in order relative to the pessimistic view of automation's effects upon employment. During the years to date since World War II, in which automation has been gradually introduced, the labor force has been growing at a relatively slow rate due to the low birth rates of the 1930's. Increasingly, however, the children who have been invading the elementary and secondary schools since World War II will begin to enter the labor market. It is probable that instead of growing at an annual rate of around 750,000 persons net per year, the labor force may grow at a rate of 1.5 million persons or more net per year. Hence, the effects of automation in such a climate may be quite different from what they have been when persons of working age have been relatively scarce. It may well test the basic flexibility and ingenuity of the economy to provide enough new jobs each year to accommodate the larger annual increase in the labor force plus the laborsaving effects of automation-induced increases in man-hour productivity. If the economy should prove unequal to this task, a relatively larger percentage of unemployment may come to be considered "normal" than has been true of the past, along with a concomitant expansion of institutional devices for relieving the burden of unemployment.

Structural Unemployment

Another type of unemployment as to cause is considered by some to be structural unemployment. Unemployment of this variety is caused either by a change in the method or location of producing a given commodity or by a decline in demand for a particular commodity. Such unemployment is termed structural only if the fall in demand is expected to be more or less permanent in nature and of a degree which makes it irreducible by falling wage rates.

Structural unemployment overlaps technological unemployment in part, since a given decline in the demand for labor may be traceable to the displacement of labor by technology. Another underlying cause for structural unemployment may be a change in the relative advantage possessed by a given region for the production of given commodities. For example, the southward movement since 1940 of many textile mills from the textile manufacturing towns of New England is a case in point. The result in the short run is often the creation of ghost towns populated increasingly by older people who persist in clinging to the area even though its industry is dying, while younger individuals move to more lucrative environments.

Structural unemployment is often pictured as the result of an imbal-

ance in the labor market between the demand for and supply of labor. That is, there is a failure on the part of the market to match skills and training available in the labor supply with the skills and training sought for within labor demand. Thus, in the United States today, as a result of technological developments, relocation of industry, and other factors, the demand for highly educated personnel has risen relative to its supply while the demand for the unskilled and uneducated personnel has declined markedly relative to its supply. Consequently, it is not surprising to find unemployment rates higher than usual among the untrained, uneducated, and unskilled persons within the labor market while unemployment rates are lower than usual among the highly educated and trained persons within the labor market. In fact, unemployment rates are so low for the latter group as to indicate serious scarcities of such personnel which could cause crucial bottlenecks to desired economic growth and production expansion. In recent years a debate has raged as to whether most of the nation's unemployment is due to structural causes or an inadequacy of overall effective demand. Actually, unemployment attributable to both causes is undoubtedly present and the problem should be attacked on both fronts for maximum results. This is the dominant view of the President's Council of Economic Advisers.

Cyclical Unemployment

The final and most serious type of unemployment is that associated with so-called "cyclical" fluctuations of economic activity. In fact, it is this type which most laymen and even most economists have in mind when they are considering the problem of unemployment. The word *cycle* has fallen somewhat into disuse of late, perhaps because it connotes much greater regularity than actually occurs.

Professor Hansen has defined the business cycle as follows: ". . . the business cycle is a fluctuation in (1) employment, (2) output, and (3) prices (both consumer and wholesale prices)."²⁶

Professor Estey approaches the definition of cyclical fluctuations in the following manner: "Cyclical fluctuations are wavelike fluctuations of business activity characterized by recurring phases of expansion and contraction in periods longer than a year."²⁷

Cyclical fluctuations may also be thought of as recurring periods of prosperity and depression caused by fluctuations of economic activity above and below the long-run upward trend of the economy. Students of cyclical fluctuations have also divided the cycle into two or four phases,

²⁶ Alvin H. Hansen, *Business Cycles and National Income* (New York: W. W. Norton & Co., Inc., 1951), p. 4.

²⁷ James Arthur Estey, *Business Cycles* (New York: Prentice-Hall, Inc., 1941), p. 4.

as the case may be. Thus, some—e.g., the late Professor Schumpeter—break the cycle into four phases: prosperity, recession, depression, and recovery. Others write of the four phases as being those of prosperity, liquidation, depression, and recovery. Still others divide the cycle into only two relatively longer phases: expansion and contraction.

Types of Cycles. It has been maintained for a number of years that more than one type of cycle as to predominant cause, length, and effects actually characterize fluctuations in economic activity. The first of these cycles, moving from the shortest to the longest, would be the Kitchin or inventory cycle. This cycle is so named because the economist Joseph Kitchin first distinguished between major and minor cycles in England and the United States between 1890 and 1922. The subtitle *inventory cycle* has been used in this connection, since the average length of the cycle, slightly under four years in the United States, affords just about enough time for business and industry first to overbuild inventories in terms of product demand and then to deplete them once again. Employment rises during the inventory-building phase, while it falls during the inventory-depleting phase. The Kitchin cycle is not dramatic, nor is it even obvious to many persons whose economic fortunes seem to change very little over the course of this cycle.

The second cycle, and probably the one most persons think of when they worry about cyclical unemployment, is a major cycle known as the Juglar or business cycle. The French economist Clement Juglar studied this cycle during the 1860's; and as a result, it is often designated by his name. The Juglar or business cycle has averaged about eight to nine years in length in the United States, thus encompassing from two to three of the Kitchin cycles noted above. Not only does the depression phase of this cycle last longer than that of the inventory cycle, but more people and business firms are adversely affected by it. Thus, there is little chance that most individuals in the economy could be unaware of its presence.

In addition to the two cycles just mentioned, two other cycles have received some attention. One of these is the so-called "real estate and construction" cycle of about 18-plus years in length in the United States, on average. The second is the long-wave cycle, sometimes called the Kondratieff cycle, due to work which Professor N. D. Kondratieff has applied to it. This cycle is pictured by Kondratieff as being roughly 50 years in length and involving alternate periods of about 25 years or so of expansion and contraction. The United States was pictured by Kondratieff as having experienced $2\frac{1}{2}$ of these cycles by 1920, as follows: first cycle, expansion 1790–1815 and contraction 1815–49; second cycle, expansion 1849–65 and contraction 1865–96; third cycle, expansion 1896–1920. The existence of such long-wave cycles is still a moot point,

but there is considerable evidence that such long-wave fluctuations do occur.

It should be noted, too, that the cycles referred to above could act either in an augmenting or in a mitigating manner with relation to each other. That is, if all of them should be in or approaching their *down* phase at the same time, this would tend to augment the depression effects felt by the economy. This is thought by many to have been the case in the period 1929–33, which proved to be the most serious period of depression of the nation's history in many respects. On the other hand, if only one cycle is in its *down* phase while the others are rising or at their peak, the net result would tend to be that of the expanding cycles mitigating the depression effects of the declining cycle.

Needless to say, cyclical unemployment is by far the most serious of all types discussed. It is almost totally unpredictable and of highly uncertain duration. Consequently, its costs to persons affected are most difficult to bear. While seasonal, technological, structural, and frictional unemployment may give rise to serious problems for a select few within the labor force, cyclical unemployment—especially that accompanying the Juglar cycle—may affect directly as much as 25 percent of the labor force, as it did in 1932–33, as well as millions of others within all three categories—labor, business, and agriculture—indirectly. Because of its depth and extreme uncertainty, cyclical unemployment of the Juglar variety is also the most difficult to cope with by individuals, firms, or the economy as a whole. While it is to be hoped that the industrial nations have found ways to prevent cyclical unemployment of the 1930's magnitude from ever developing again, there is still a possibility that it might recur at some future period of time. Even if this does not develop, the unemployment occasioned by just the inventory or Kitchin cycle is serious enough to warrant close attention.

Incidence of Cyclical Unemployment

Unemployment of cyclical nature varies considerably as to its degree of incidence upon various economic and social categories in the nation. The difference in the severity of unemployment incidence within these categories is partially attributable to economic factors and partially to noneconomic factors of diverse characteristics.

Industrial Incidence. Unemployment attributable to cyclical factors is especially prevalent among durable goods manufacturing industries, the railroad industry, mining, and contract construction. During the recession of 1957–58, durable goods manufacturing industries accounted for about a third of the total rise in unemployment. The average rate of unemployment in these industries reached a peak of 12 percent in April,

1958, when the rate for the whole economy was about 7.5 percent. Industries manufacturing primary metals had 13 percent of their employees on layoff in the same month, while 14 percent were unemployed in the transportation equipment manufacturing industries.²⁸ (See Table 8-2.)

One of the major reasons for the high unemployment incidences noted above should be relatively obvious. Durable goods—both producer and consumer goods—need not be replaced with as much regularity as nondurable goods, nor are they in most cases as essential to life as many nondurables, such as food, for example. As a result, if the economy trends downward for one reason or another, industrial units and consumers all tend to become very cautious with respect to the purchase of durable goods.

Table 8-2 Industrial employment trends in recession

Industry	Employment		Percentage Change
	November 1957 (in millions)	May 1958 (in millions)	
Manufacturing (durables).....	9.5	8.4	-17.8
Manufacturing (nondurables).....	6.8	6.7	- 1.5
Contract construction.....	2.7	2.6	- 3.7
Trade.....	11.2	11.0	- 1.8
Mining.....	0.8	0.7	-12.5

Source of Data: Council of Economic Advisers, *Economic Indicators* (Washington, D.C.: U.S. Government Printing Office, October, 1958, and January, 1959).

The mining and railroad industries are in turn seriously affected because their level of activity depends in some degree on that which obtains in the durable goods manufacturing industries. Contract construction also involves expenditures which can be and are postponed during periods of slackened economic activity. Industrial firms are not likely to engage in construction activity if they are operating much below capacity and if they do not expect soon to be at capacity production. Residential construction will also tend to lag if potential home builders or buyers feel the pinch of deflation.

On the other hand, some industrial groups are much less vulnerable to unemployment. These would include the service, government, and public utility categories. During a period of extended unemployment, governmental activity and employment might actually be increased in an effort

²⁸ *Economic Report of the President* (Washington, D.C.: U. S. Government Printing Office, January, 1959), p. 85.

to effectuate some recovery. Service employment would also be expected to remain rather high as increasing numbers of persons and firms repair rather than replace their durable goods. Public utility concerns deal largely in services for which the demand is highly inelastic, which, added to the high degree of mechanization in such concerns, means that the unemployment incidence would be comparatively low.

Regional Incidence. The regional incidence of cyclical unemployment is closely related to the industrial distribution of unemployment. That is, those states or regions with large numbers of firms in the more vulnerable industry groups noted above tend to have a higher incidence of unemployment than states or regions in which agriculture and nondurable goods manufacturing prevail. Thus, as of the week ended April 12, 1958, in the midst of the 1957–58 recession, when the national unemployment average was about 7.5 percent, the following states scored considerably above this level: Michigan, 15.2 percent; Maine, 14.3 percent; Kentucky, 14.0 percent; West Virginia, 13.6 percent; Arkansas, 11.2 percent; New Hampshire, 11.0 percent; Pennsylvania and Rhode Island, 10.6 percent.²⁹ It is significant that Michigan, the automobile manufacturing center, ranked above all other states in percentage of unemployment; and that Kentucky, West Virginia, and Pennsylvania, coal and steel centers, respectively, also ranked very high. At the same time, unemployment levels in the agricultural Midwest tended generally to be considerably below the national average and, in many such states, actually within the 3 to 6 percent of so-called “normal” unemployment during the entire recession.

Racial Incidence. The incidence of unemployment at all times tends to be much sharper for nonwhite workers than for their white counterparts. Generally speaking, the average percentage of unemployment among Negroes has typically been about double that for white workers in this country during depressions and recessions. Even during the boom years of the 1950's, the percentage of Negro unemployment was about 1½ times that for white workers.³⁰

As of March, 1958, near the middle of the 1957–58 recession, 15 percent of male Negro workers were unemployed, in contrast to only 8 percent of male white workers. By November, 1958, after some recovery from the recession had been experienced, 11.4 percent of male Negro workers were still unemployed, while only 4.8 percent of male white workers were still out of work. White male workers actually have not experienced percentages of unemployment such as those just noted for Negro workers since the severe 1930's.³¹ As of October, 1963, when the

²⁹ *Economic Report of the President* (January, 1959), p. 86.

³⁰ W. S. Woytinsky and Associates, *Employment and Wages in the United States* (New York: Twentieth Century Fund, 1953), pp. 406–7.

³¹ “Labor’s Race Problem,” *Fortune*, March, 1959, p. 191.

total percentage of unemployment was 4.7, only 4.1 percent of white workers were unemployed in contrast to 9.2 percent of nonwhite workers. By May, 1968, the total percentage of unemployment had fallen to 3.5 with that for white workers being 3.2 in contrast to 6.4 for nonwhite workers. It may be noted, however, that such an extremely low level of overall unemployment tends to cause the white/nonwhite differential to narrow. It is possible, too, that the narrower differential may have been partially attributable to increased efforts to assure equal employment opportunity to minority racial groups after 1964.

Similar differences in unemployment percentages of Negro and white male workers obtained in two other postwar recessions. Thus, in the second quarter of 1954, about 11 percent of male Negro workers were unemployed, as compared with about 5 percent of male white workers. In the second quarter of 1950, about 11.8 percent of male Negro workers were unemployed, as compared with slightly over 6 percent of male white workers.³² Thus, despite many economic and social gains scored by members of the Negro race since 1940, the relative incidence of unemployment for this group during recessions is just about as serious as it was during the 1930's.

The major explanation for the greater incidence of unemployment among nonwhite workers is probably not *current* racial discrimination. Predominant economic characteristics of nonwhite employment, in addition to the amount and quality of nonwhite education, are more important explanations. A larger percentage of Negro workers is employed at the unskilled level than is true of white workers. The unskilled level of employment, being on the bottom rung of the ladder of economic opportunity, is most susceptible to cyclical and other types of unemployment. As of 1958, about 35 percent of Negro male workers were in the unskilled category of employment, in contrast to only 22 percent of white male workers. On the other hand, a much smaller percentage of Negro male workers (5 percent) was employed at the relatively secure skilled level than was true of white male workers (14 percent).³³ For the recession year of 1961 when total unemployment was 6.7 percent, 12.5 percent of nonwhite workers were unemployed while only 6.0 percent of their white counterparts were idle.³⁴ Also adding to the greater employment insecurity of Negro workers is the fact that much larger percentages of them are employed in manufacturing than is true of white workers, and manufacturing is much more vulnerable to cyclical unemployment than industries of the service variety. Finally, larger percentages of Negro workers are casual employees than is true of white workers, while much smaller

³² *Ibid.*

³³ *Ibid.*

³⁴ For a complete analysis, see Matthew A. Kessler, "Economic Status of Non-white Workers, 1955-62, *Monthly Labor Review*, July, 1963, pp. 780-88.

percentages of Negroes are to be found in the professional and other white-collar ranks than is the case with white personnel.

Part of the above explanations for the greater unemployment incidence among Negro workers is undoubtedly attributable to past decades of radical discrimination as to employment and educational opportunities. Some of the reasons are undoubtedly due to present-day racial discrimination, despite movements against it. Finally, a portion of the explanation may be due simply to the underdevelopment of the Negro race, caused by its long period of enslavement and its relatively short period of freedom during most of which discriminatory treatment has often cheated the Negro of the opportunities which should fall to a free man in a democratic nation.

Age and Unemployment Incidence. Two age groups appear to be more susceptible to unemployment than other groups. One of these groups consists of the very young members of the labor force—those under age 24. As of April, 1958, for example, 14.3 percent of this age group was without work when the national unemployment percentage was about 7.5. The principal explanation is the fact that lack of experience, training, and education places most of these workers in the lower echelons of employees where they are quickly “bumped” out of employment by workers with superior experience and seniority. Also, with employing units laying off workers rapidly and taking on very few new ones, persons in the age group noted who are looking for their first job or a new job find the going exceedingly rough.

The other age group traditionally experiencing a severe incidence of unemployment is the older age group. That is, age groups beyond age 45 tend to experience a rising incidence of unemployment the farther removed they are from age 45. The 1957–58 recession indicates that this traditional experience may not be so apt to occur in the future as it has in the past. For example, in April, 1958, only 5.6 percent of persons aged 55 and over were unemployed when the national average was 7.5 percent. Similarly, in 1961 when total unemployment was 6.4 percent, unemployment of persons aged 55 and over was about 5.6 percent. Some developments since 1930 which may have altered the unemployment incidence for the older group would include the widespread contractualization of seniority programs and the growth of public and private old-age pensions systems which, in the first instance, make the older employee relatively immune to layoffs and, in the second instance, make it less essential that he be looking for work if he is 65 or older than was formerly the case. The middle-age group—25 through 45—would tend to experience the lowest incidence of unemployment of the age groups considered, if past experience is any guide. It is possible, however, that due to protections developed for older workers, this group may eventually possess greater job security than even the middle-age group.

Sex and Unemployment Incidence. Female members of the labor force have traditionally experienced slightly higher rates of unemployment than have male members. This apparently did not hold true during the recession of 1957-58. As of April, 1958, about 7.3 percent of female workers were unemployed, as compared with 7.6 percent of male workers.

If the experience noted above is reflective of a general change in the unemployment susceptibility of females versus males, it is difficult to account for it. One possible explanation may be the growing percentage of white-collar employment in the nation and the fact that a larger proportion of female employees is within this category than is true of males. Another explanation may be the increasing tendency for women to become permanent employees as opposed to casual employees. Still another possible explanation may well be the high level of prosperity generally since World War II, which has made it less imperative for women who have been laid off to continue to look for work and thus to be counted as unemployed. During the 1930's, by contrast, so many male heads of families were unemployed that women may have been forced to continue to look for work over longer periods and thus to figure among the unemployed as reported officially by various agencies.

Occupational Incidence. From an occupational standpoint, the incidence of cyclical unemployment becomes increasingly severe moving from the higher white-collar levels of employment down to the unskilled level. Thus, the unskilled workers, possessing the least training, skill, and seniority, are the most vulnerable since, in the "bumping" process, they are at the bottom of the industrial pyramid and are replaced by semi-skilled workers who have previously been "bumped" by skilled workers. It is ironical, of course, that the unskilled should bear the greatest incidence of unemployment, since they are in the least favorable financial position to absorb the shock. This has been a very powerful argument against the contention that depressions and unemployment are good for the society, since the least efficient workers are eliminated and taught a lesson in the process. Because of the widespread use of seniority and bumping, however, many inefficient workers may be retained on the payrolls, while the unskilled, no matter how efficient, become relatively expendable.

Varying occupational incidence of unemployment, as discussed above, is reflected in unemployment figures for April, 1958. In that month, about 16.6 percent of unskilled workers were unemployed, 12.5 percent of semiskilled workers were unemployed, 9.1 percent of skilled workers were unemployed, only 4.5 percent of sales and clerical personnel were unemployed, and only 1.6 percent of technical and professional persons were without employment. With the national average of unemployment in the same month at 7.5 percent, it is obvious that the first three groups

just mentioned—in other words, the production workers—all had percentages of unemployment above the national level, although quite a difference between the unskilled and skilled percentages did exist. On the other hand, the nonproduction workers or the last two categories experienced an incidence of unemployment considerably below the national average.

It should be pointed out, in concluding this section, that the degree of job security possessed by the several occupational groups above would be found to vary from industry to industry and to be dependent upon the susceptibility of the industry itself to cyclical effects. But, other things being equal, occupational incidence of cyclical unemployment will tend to vary roughly as indicated.

The causal classification of unemployment which has been undertaken should not lead the student to conclude that unemployment, by whatever cause, differs in its effects upon individuals out of work. Suffice it to say that the seasonally unemployed person may be just as bereft of economic support while his unemployment exists as the individual who becomes unemployed as a result of so-called “cyclical” fluctuations in economic activity. Rather, the foregoing causal classification has been presented in order to differentiate as to *degrees* of hardship as well as the predominant *causes* of unemployment. A thorough understanding of both is essential if intelligent solutions or relief are to be forthcoming for particular types of unemployment.

SUMMARY

Insecurity of employment has frequently been termed the most serious of the industrial nation's peacetime problems. Unemployment, truly a product of industrialization and specialization, is responsible for both direct costs in terms of lost production and perishable labor, and indirect costs in the form of qualitative deteriorations of the labor force. Normal unemployment—from 3 to 6 percent of the civilian labor force—was greatly exceeded from 1930 until the beginning of World War II. Unemployment during the war and in many years since the war has been within the range of normalcy. On four occasions, however, unemployment since the war has exceeded the bounds of normalcy: the recession periods of 1949–50, 1953–54, 1958–59, and 1960–61. Furthermore, each recovery period saw a higher level of unemployment than its predecessor until 1965 when, as a result of countercyclical fiscal policies and the acceleration of the Vietnam War, unemployment percentages under 4 percent became common monthly occurrences.

The incidence of unemployment is especially sharp on durable goods manufacturing industries, construction, mining, transportation, and communication. Occupationally, the incidence of unemployment varies in-

versely with income in most situations. Other groups vulnerable to unemployment are the very young age groups and the nonwhite workers of the nation. Classified as to cause, unemployment may be frictional, seasonal, technological, structural, and cyclical in nature, with the last-named classification being the least predictable, the most uncertain as to duration, and the most serious and sweeping in its effects.

DISCUSSION QUESTIONS

1. In your opinion, is unemployment too high a price to pay for *free* labor markets? Why, or why not?
2. It has often been maintained that depression and unemployment periodically provide a needed discipline for the economy. Comment.
3. One of the clichés of this society holds that there are always jobs for *good* men with ambition. Discuss this point of view in connection with a serious recession.
4. Discuss the elusive nature of the term *unemployables*, especially as related to rehabilitation programs and fluctuating employment standards.
5. Define the term *full employment* from a conceptual standpoint rather than from a percentage approach.
6. It has been suggested by recent writers that the economy should permit as much unemployment as is necessary to assure stable prices, compensating those who are unemployed more liberally than current unemployment compensation laws would provide. Comment on this proposal.
7. What are the various labor market imperfections which contribute to *frictional* unemployment? How could these frictions possibly be minimized?
8. With a view to minimizing seasonal unemployment, what might be done by the firm to regularize buying habits?
9. Debate the question: "Does technology destroy more jobs than it creates, or does it create more jobs than it destroys?"
10. What are some preventive measures which might be taken to reduce the problem of technological unemployment? What are some policies which might be followed to ease the technological unemployment which inevitably occurs?
11. In your opinion, what are some industries in this economy which appear to have problems with structural unemployment? Do you see any solutions to this problem?
12. What policies would you have the central government follow in attempting to "smooth out" the peaks and valleys of cyclical fluctuations in economic activity and employment? Should the central government remain aloof from this problem and let the private sector of the economy handle it alone?

SELECTED READINGS

- BURNS, A. F., and MITCHELL, W. C. *Measuring Business Cycles*. New York: National Bureau of Economic Research, 1946.
- CLARK, J. M. *Strategic Factors in Business Cycles*. New York: National Bureau of Economic Research, 1934.
- ESTEY, JAMES ARTHUR. *Business Cycles*. 3d ed. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1956.
- FRICKEY, EDWIN. *Economic Fluctuations in the United States*. Cambridge: Harvard University Press, 1942.
- HANSEN, ALVIN H. *Business Cycles and National Income*. New York: W. W. Norton & Co., Inc., 1951.
- Employment and Unemployment*. Hearings before the Subcommittee on Economic Statistics of the Joint Economic Committee, 87th Cong., 1st sess. Washington, D.C.: U.S. Government Printing Office, 1962.
- RESEARCH AND POLICY COMMITTEE. *Distressed Areas in a Growing Economy*. Committee for Economic Development, New York, N.Y.: June, 1961.
- SAMUELSON, PAUL A., and SOLOW, ROBERT M. "Analytical Aspects of Anti-Inflation Policy," *American Economic Review*, May, 1960, pp. 177-94.
- U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS. *The Extent and Nature of Frictional Unemployment*. Study Paper No. 6, for use of Joint Economic Committee. Washington, D.C.: U.S. Government Printing Office, November 19, 1959.
- WILKINSON, JOHN; SYKES, GERALD; GABOR, DENNIS; BLOY, MYRON B. JR.; GROTH, MARTIN; ROSZAK, THEODORE; and JOUVENEL, BERTRAND De. *Technology and Human Values*. The Fund for the Republic, Inc., Center for the Study of Democratic Institutions, New York, N.Y., 1966.
- WOYTINSKY, W. S., and ASSOCIATES. *Employment and Wages in the United States*. New York: Twentieth Century Fund, 1953.

EMPLOYMENT THEORY

The development of a body of theory relating to the business cycle or to employment fluctuations has accompanied the maturation of the industrial economy. This should be viewed as a logical development, since so-called "cyclical" fluctuations in economic activity and employment have been a product of industrialization and, further, they have not assumed major proportions for the typical economy as a whole until the economy has been well along the way to becoming an industrial society. In every industrializing nation, as the phenomenon of periodic fluctuations in overall employment continues to recur and to do so with ever farther-reaching effects, theorists have produced formulations whereby they have aspired to explain the phenomenon scientifically. In this respect, economic theorists have behaved as have all theorists in whatever area, i.e., they have sought to understand and explain any phenomena which give evidence of constituting major problems for the society in question.

Thus, from faint beginnings in the early nineteenth century, by the middle of the twentieth century an impressive array of employment or cycle theories had been amassed among the several industrial nations. As to their basic approach, the theories have been variously classified as *external* and *internal* theories, *real* and *psychological* theories, and *overproduction* and *underconsumption* theories.¹

Theories stressing *real* causes have linked cyclical fluctuations in employment to such events as wars, gold discoveries, innovations, and population growth, while *psychological* theories have concentrated on the psychological reactions of entrepreneurs and/or consumers to certain stimuli. *External* theories have seized upon events outside the economy as being responsible for cyclical fluctuations, while *internal* theories have looked for developments within the economy which might give rise to such fluctuations. *Overproduction* theories, which tend to emerge more

¹ Lewis H. Haney, *History of Economic Thought* (New York: Macmillan Co., 1949), chap. xxxiv.

often than not in periods of prosperity, see production in excess of the needs of the market for capital or consumption goods as the cause of fluctuations in employment; while *underconsumption* theories, which usually arise in periods of depression, often attribute cyclical fluctuations to income inequality or an inadequate supply of money which, in turn, allegedly causes the economy to be incapable of consuming what it has been or would be capable of producing.

Out of these numerous approaches has come a general consensus today that a central causative factor with respect to cyclical fluctuations is variations in the level of investment. Disagreement still hinges, however, around what causes the level of investment to vary—whether the causes are composed of external, internal, real, or psychological factors, or possibly some unknown combination thereof.

The objective of this chapter is to trace the development of employment or cycle theory from its nineteenth-century beginnings down to the middle of the present century. It would be impractical to try to review all theories that have appeared in this time period. Thus, some of the dominant or representative theories will be briefly examined, with more detailed analysis being devoted to theories of this century than to those of earlier decades.

NINETEENTH-CENTURY THEORIES

Although industrialization began in England in the eighteenth century, serious theorizing concerning employment fluctuations did not appear until the nineteenth century. Prior to industrialization, fluctuations in economic activity of the sort which have plagued industrial nations were virtually nonexistent. By the same token, in the initial decades of industrialization, such a large part of the society was still agricultural in nature that the phenomenon of periodic employment fluctuations did not loom as a major problem. The nineteenth century, however, with the earlier industrial nations gradually maturing and with more nations beginning the process, brought the problem of employment fluctuation into sharper focus—especially in the latter third of the century. Consequently, theories began to appear with increasing frequency as the century progressed.

Early classical economists such as Adam Smith and David Ricardo failed to produce a cycle theory. To be sure, Ricardo referred to “revolutions in trade,” which he attributed to changes in the channels of trade that necessitated shifts in invested capital.² This obviously could not be said to be a theory of employment. In defense of the early classicists, it

² David Ricardo, *Principles of Political Economy and Taxation* (1817), chap. xix, as reproduced in Leonard Dalton Abbott (ed.), *Masterworks of Economics* (Garden City, N.Y.: Doubleday & Co., Inc., 1948).

should be noted that they had no cycle records or employment data to aid their study. In addition, the French economist Say, and his Law of Markets, appeared to make it unnecessary for economists to be concerned with temporary and minor “revulsions in trade.”

Say's Law of Markets

J. B. Say enunciated this theory in 1814, contending that there could be no *general* overproduction or unemployment within the economy, since supply and demand are two sides of the same coin. That is, the supply of one commodity constitutes an equivalent amount of demand for other commodities, since the market value of any commodity must be equal to the sum of factor incomes earned in its production.

Say noted that there might be *relative* overproduction in a given industry at a given time, but this would be matched by underproduction of other commodities. Price movements within the respective factor and commodity markets would quickly serve to erase any temporary and relative maladjustment which might have occurred.

In this optimistic explanation of fluctuations in employment, Say failed to consider money as a possible “store of value” and implied instead that it would be used quickly by its recipients as a medium of exchange. This position, which seems strange today, can be understood when it is remembered that most persons lived quite close to subsistence at this time in England and thus did tend to spend very quickly any money received in employment. Further, checking accounts (demand deposits in banks) had not been devised, while the paper currency of the period in the form of bank notes was characterized by gross instability. By way of contrast, living scales on average are much higher today, while money's role as a store of value has been enhanced by its relatively greater stability and acceptability.

Thomas Malthus, Jean Sismondi, and others disagreed somewhat with Say, holding that a “general glut” of markets was possible. For example, Sismondi saw the grossly unequal distribution of wealth resulting in low incomes for the masses of workers. In his estimation, it was property rather than wants which governed production, with the result that consumption tended to lag behind production. Most economists of this period, however, were apparently convinced that Say's explanation was adequate.

Mid-Nineteenth-Century

By the middle of the nineteenth century, theories of fluctuations in economic activity tended to emphasize the variations in the rate of

production of capital goods—especially fixed capital. Little or no attention, however, was devoted to the part played by bank credit or the rate of interest. Theorists of the mid-century did have one advantage over their immediate predecessors—by this time a series of business cycles had been observed, and some vital data had been accumulated.

Among the more prominent pronouncements were those of economists John Stuart Mill, Arthur Spiethoff, and others. These may be summarized as follows:³ First, the tendency toward periodicity of cyclical fluctuations was observed. Second, such fluctuations were seen as the result of overproduction of capital goods attributable to the accumulation of savings and investment in capital goods. Third, business cycles were held as not being caused by monetary factors such as credit expansion, and hence monetary remedies were thought to be useless. Fourth, there was the implication that the abundance of savings and the existence of low interest rates, both of which followed recessions, have something to do with subsequent periods of expansion. Finally, there was the suggestion of the possible operation of a principle of acceleration or the multiplied effects of a change in demand for consumers' goods upon the production of capital goods. These theoretical pronouncements, in general, were only slightly related to the larger body of economic theory, and very little attention was focused upon income or consumption as causative factors.

Underconsumption Theories

The logical counterparts of the overproduction theories of Mill, Spiethoff, and others were the underconsumption theories of John A. Hobson and other writers who were more or less critical of the classical economists' approach.⁴ Hobson, near the end of the nineteenth century asserted that the cause of cyclical fluctuations is primarily underconsumption, which he held to arise because of the excessive application of savings to the production of capital goods. He saw the desire of individuals to consume *now* being disturbed by the desire to postpone consumption—or saving—which he sometimes referred to as the "habit of saving." Thus, he defined saving as "not consuming," in the sense of the nonutilization of consumption goods. Hence, oversaving to Hobson was a social phenomenon which could not exist in all probability outside a complex economy. In the complex society, however, total consumption tends to lag behind total production due to a desire to postpone consumption and

³ Haney, *op. cit.*, p. 674.

⁴ The term *underconsumption*, as used here, is that condition which is assumed to be caused in general by the use of savings in the manufacture of capital goods, i.e., oversaving in the sense of not consuming (*ibid.*, p. 675).

to accumulate future goods. By Hobson, therefore, saving was termed a bad habit.⁵

The underconsumption theorists of the middle or latter part of the nineteenth century tended either to minimize or to evade altogether such problems as time, interest rates, and the illusive ingredient of "business confidence."

Jevons' Sunspots

While the overproductionists and underconsumptionists were approaching cycle theory from their particular vantage points, the English economist William Stanley Jevons was enunciating a sunspot theory of cyclical behavior. In the 1870's, after studying fluctuations in the price of gold from 1863 to 1869, Jevons asserted that sunspot cycles affect the earth in such a way as to give rise to rhythmical fluctuations in business activity. His statistics purported to show that the average length of English business cycles had been close to the average length of sunspot cycles—about 10½ years. Jevons sought to establish a sequential relationship among sunspots, weather, changes in agricultural activity, and thence to changes in industrial activity. In other words, as sunspots go, so goes agricultural production; and as agricultural production goes, so goes general economic activity.

While Jevons' external theory seemed not too implausible in the nineteenth century, when agriculture still furnished a major proportion of total output, it seemed less and less plausible as agriculture's importance in total output continued to shrink with industrial development. Thus, later adherents of the Jevons approach, including his son, tried to establish a causal relationship between sunspots and human health and vitality and, in turn, the level of industrial activity, thereby trying to save the theory by excluding agriculture as the transmission agency.

Summary

While nineteenth-century theories varied greatly in their basic approach, the economists of that century, and particularly the classical economists, were in general agreement on three fundamental points. In the first place, the general consensus was that any economic maladjustments within the nation would be quickly erased by automatic movements of prices in the commodity and factor markets. Thus, firm reliance on the pricing mechanism generated the belief that any unemployment would be relatively minor in degree and of short duration.

⁵ *Ibid.*, p. 676.

Secondly, there was general agreement that the normal state of affairs was such that the economy would tend to move toward equilibrium at full employment. Any deviation from this norm was considered to be abnormal and of little consequence.

Finally, it was generally held that government was undesirable as an economic balancing agent. This position was perfectly consistent with the dominant laissez faire political philosophy and also with the second point above, which held equilibrium at full employment to be the normal characteristic of the economy. Obviously, if full employment were assumed to exist, any intervention by government would result in the siphoning of resources by government from the private sector of the economy and the putting of these resources to less productive use than formerly. In addition, corrective action by government would only hamper the pricing mechanism in its allegedly superior correction of any maladjustments which might arise.

TWENTIETH-CENTURY THEORIES

During the first half of the present century, and especially after World War I, the body of cycle and employment theory grew apace. For one thing, a great amount of data emerged from the recessions of 1873, 1884, 1893, 1904, 1907, 1921, and, finally, the Great Depression of the 1930's. In addition, nearly every industrial nation at some time during this period produced various public and private bureaus and institutes for research in this and other problem areas. From the 1890's on, monetary aspects of industrial economies tended to assume increasing importance as central banks emerged and credit increased in use both domestically and internationally. Consequently, virtually every cycle theory of the present century has devoted considerable space to monetary phenomena. Further, the typical approach in this century has tended to be either that of the *over-* or *underinvestment* of funds in capital goods production. A few of the representative and dominant cycle theories of the present century will be considered in the ensuing pages of this chapter.

Theory of Innovations

Joseph Schumpeter, the late economics professor of Harvard University, introduced his cycle theory, known as the theory of innovations, in the late 1920's, later refining it.⁶ This theory stressed *real* as opposed to psychological causes, and centered attention on the periodic overinvestment in capital goods.

The economy, assumed to be in a state of equilibrium at full employ-

⁶ Joseph Schumpeter, *Business Cycles* (New York: McGraw-Hill Book Co., Inc., 1939), chaps. iii-iv.

ment, is pictured as being thrown off balance by the introduction of innovations by a select group of entrepreneurs whom Schumpeter referred to as "innovating entrepreneurs."⁷ Innovations involve new and lower cost curves as well as new combinations of the factors of production. Innovations also raise the expectations of entrepreneurs and induce them to demand extensive new production equipment. Still another characteristic of Schumpeterian innovations is that they are introduced in sporadic waves or "clusters" and are copied and imitated by other entrepreneurs, or forced upon them by competition.⁸ Hence, the aggregate volume of investment is greatly enlarged while a cluster of innovations is being exploited by entrepreneurs, who are convinced either that they can benefit from the innovations or that they must exploit them to avoid losing out in the competitive race.

The expansion just noted can take place in significant amounts only if the banking system is willing and able to expand the credit extended to entrepreneurs. If this be the case, the recipients of the expanded credit can then bid resources away from other firms, a process which produces inflationary increases in factor incomes and in the general price level. Thus, the expansion of bank credit plays, as it were, a conditioning role during the prosperity period, with the length and height of the inflationary period being dependent in part upon the amount of credit expansion which takes place. Another major determinant, of course, would be the size of the impact of a given cluster of innovations upon the economy. Some bring more revolutionary developments and affect more industries than do others and, as a result, lead to more inflation.

Inflation and prosperity tend to merge into deflation and recession when the latest cluster of innovations has been fully exploited. Since not so much capital or other resources are needed for maintenance and occasional replacement of innovations as were needed for their original production and installation, old loans are repaid faster than new ones are made, while unemployment of some human and physical resources begins to appear. The continued shrinkage of the money supply and employment soon brings about conditions which are the reverse of those discussed above. Unemployment reaches a peak, the price level reaches its low point, and general economic depression is the rule, with production at some fraction of productive capacity. Even more than this is involved, however. The economy is in actuality making a painful adjustment to new methods of production which were introduced by the

⁷ Innovations, as the term was used by Schumpeter, are distinguished from inventions. The latter are considered discoveries of scientific novelties, while innovation is the carrying of the inventions into actual performance or "exploiting" them. Inventions are less subject to fluctuations than are innovations; hence, it is the innovations which are subject to cycles rather than inventions.

⁸ R. V. Clemence and F. S. Doody, *The Schumpeterian System* (Cambridge: Addison-Wesley Publishing Co., Inc., 1950), p. 51.

innovating entrepreneurs—methods of production which require less labor and fewer firms. In this painful process, marginal firms are eliminated as they fail for one reason or another to stay in the competitive race. When a new equilibrium is reached at the end of the depression period, the stage is set for the strategic introduction of a new cluster of innovations. Costs of production have fallen during the depression, while old capital equipment has become either worn out or obsolete. At the same time, entrepreneurs and bankers have become more optimistic about future profit possibilities. Thus, the economy is ready for the next experiment with innovations-induced prosperity, which will be followed in time once again by another painful process of adjustment.

Professor Schumpeter, with his theory of innovations, thus helped to foster the idea that economic progress and fluctuation are mutually indispensable. Expansion and prosperity are experienced while innovations, which mean material progress, are being introduced. Contraction and depression, on the other hand, are the rule while the economy adjusts to the changes which the innovations inevitably require.

The Schumpeterian theory also implies the existence at a given time of a number of cycles requiring varying lengths of time for their completion. Thus, it is postulated that different innovations would naturally demand different lengths of time for their introduction and exploitation. Hence, it is quite possible that long, medium, and short cycles might either mitigate or augment their effects upon the economy as was noted in the preceding chapter. Professor Schumpeter's theory does not necessarily limit the possible number of simultaneous cycles to three. Final decision as to how many should be identified may be related, in part, to the matter of descriptive convenience.

Psychological Explanations

During the latter part of the 1920's, while most economists were, like Schumpeter, seeking to analyze "real" causes of cyclical fluctuations in employment, a minority of theorists were investigating "psychological" factors in connection with the cycle. Professor A. C. Pigou of England was one of the latter group. In 1927, he introduced a theory of cyclical fluctuations which has variously been identified as the *psychological theory*, the *overoptimism/overpessimism theory*, and the theory of *emotional aberrations*.⁹

In Pigou's theory, expectations of entrepreneurs play the central role; and these, in turn, are controlled by errors of optimism and/or pessimism committed collectively by the economy's entrepreneurs. Thus, periodically, entrepreneurs become overly optimistic, a condition which

⁹ A. C. Pigou, *Industrial Fluctuations* (London: Macmillan & Co., Ltd., 1927), Part I, chaps. vi–vii.

leads them to anticipate exceedingly high profits from capital expansion. This optimism is contagious, quickly permeating the entire entrepreneurial class through the media of common trade journals, mutual chambers of commerce, trade associations, and service clubs. The result is a rush by entrepreneurs to the banking system for credit with which to engage in capital expansion projects. Bank management is also highly optimistic and complies with requests for loans, with a resultant expansion in the money supply. Competitive bidding for resources ensues, which pushes employment, factor incomes, and the price level ever higher as inflation and prosperity prevail.

The overly optimistic entrepreneurs, however, are led to commit "errors of optimism" eventually. That is, productive facilities within the economy are overexpanded in terms of the needs and demands of the economy at a given time. This is possible and virtually inevitable in a free enterprise economy, especially since production decisions are made atomistically by widely separated entrepreneurial units in an environment of imperfect knowledge. In addition, many goods, notably durables, must be produced considerably in advance of the market, which involves a great deal of precarious forecasting. Finally, many goods are produced in advance for new and untried markets.

As errors of optimism—overexpansion—are discovered, or, in other words, as it is learned that available output at current prices has outrun demand, the reaction develops. At this time, entrepreneurs tend to become overly pessimistic, with resultant expectations of declining profits or even losses. As a result, initiation of expansionistic projects declines, with a corresponding shrinkage in money and credit, employment, and the general price level. The depth of the depression is dependent in large measure on the degree to which the money supply has been expanded during the preceding boom period and thus on the extent to which errors of optimism have been allowed to accrue. Now—just as entrepreneurs were overly optimistic in the preceding period—they tend to become overly pessimistic. The result is that the productive facilities of the economy are contracted to an excessive degree in terms of the size and needs of its population. When these errors are noted, it once again becomes the rule for entrepreneurs to become optimistically inclined and, in turn, to expect or anticipate once again the prospect of sizable profits to be garnered through capital expansion.

Most economists, while recognizing the role played by entrepreneurial expectations in cyclical fluctuations, have been skeptical of solely psychological theories of employment variations. This skepticism has usually been born from the contention that errors of forecasting do not arise independently but are, instead, faulty reactions to "real" changes which have taken place. Thus, it has been asserted that "real" causes are

essential for the operation of errors which Pigou linked to psychological factors in the main.

The Monetary Approach

During the latter 1920's and early 1930's, some theorists attempted to explain cyclical fluctuations in terms of monetary analysis. Two of these theorists stand out in particular: Professor R. G. Hawtrey of England and Frederick A. Hayek of the University of Chicago. While both of these writers emphasize the role played by variations in the supply of money and credit, Professor Hawtrey stresses the effects of such variations upon effective demand, whereas Professor Hayek deals especially with the tendency toward over- or underinvestment resulting from variations in the supply of money and credit.

*Hawtrey's Theory.*¹⁰ Variations in effective demand are seen by Hawtrey as constituting the real essence of the business cycle; and these variations, in turn, are attributable to shifts in the volume of bank credit. In the description of his theory, Hawtrey comments that: "The trade cycle is a monetary phenomenon, because general demand is itself a monetary phenomenon."

With the economy in equilibrium, consumers' expenditures equal consumers' income, consumption is equivalent to production, the cash balances of consumers and entrepreneurs are being neither increased nor decreased, the banking system is neither increasing nor decreasing the volume of credit, and there is no net export nor import of gold. This delicate state of equilibrium can be disturbed by any one or a combination of several factors: (1) an increase in flow of gold from abroad, (2) an increased tendency for entrepreneurs to add to their inventories, (3) an increased tendency for consumers to spend and release cash, (4) an increased willingness on the part of banks to place funds into the community through loans. Hawtrey indicates that of these four factors, the third one is the least probable; factor number 2 can occur if entrepreneurial expectations rise; while the fourth condition can obtain if any increase in bank reserves takes place or if banks should decide that existing reserves can be lowered safely.

Thus, in the event that condition number 4 above appears, banks will lower the interest rates currently in effect which, in turn, will tend to increase the borrowing on the part of entrepreneurs. This increase in the supply of money is soon reflected in increased outlays by consumers. Hence, a cumulative process of expansion is begun wherein more and more cash is released by banks and by entrepreneurs with ever-larger

¹⁰ R. G. Hawtrey, *Monetary Reconstruction* (New York: Longmans, Green & Co., Inc., 1926).

consumers' incomes and outlays being in evidence, all of which forces upward the general price level. The expansionistic process briefly outlined goes on as long as banks are willing to add to incomes by increasing outstanding credit. This can take the form of purely monetary inflation of incomes after industrial capacity has been reached.

The expansionistic phase above, however, ultimately leads to a drain on the banks' cash and reserves which induces them to raise interest rates and to restrict the issuance of credit. This development discourages investment by entrepreneurs and produces a shrinkage in consumers' incomes and outlays as well, with still further cuts in entrepreneurial spending and consumer expenditures. Bank credit, which was extended during the expansionistic phase, is now retired through loan repayments; the price level sags, and unemployment rises. The prospect of falling prices occasions further withholding of spending by business firms and consumers. In other words, effective demand in the economy has undergone a collapse. After bank reserves have been replenished by the flow of cash thereto, interest rates are finally lowered, and another round of credit expansion and inflation is about ready to take place.

Cyclical behavior is thus seen by Hawtrey as being principally a monetary phenomenon. He does not deny the existence of "real" causes such as innovations and the like, but he maintains that such developments can affect the *general* as opposed to *particular* activity only through their effects upon the volume of money and credit. Actual cyclical behavior, therefore, is a result of cumulative variations in the volume of bank credit which are, in turn, traceable to an elastic currency and a banking policy which keeps its attention on the state of bank reserves rather than on the effects of credit expansion upon the economy. The problem, in Hawtrey's view, would not exist if the money supply were inelastic or, given some elasticity, if the money supply were subject to rational rather than conventional controls. Commercial banking, which is competitive and profit-making in nature, causes the banking system to act as it does, with each bank anxious to maximize profits regardless of what the overall results may be. Central banks have not provided the solution to the problem, either, because their attention is also focused on the level of bank reserves or because their actions are politically dependent upon the preference of most groups within the economy for inflation as opposed to deflation.

*Hayek's Overinvestment Theory.*¹¹ In the very depths of the depression of the 1930's, Professor Hayek introduced another variation of the monetary approach to business cycles. Hayek assumed the economy to be in equilibrium at a level of full employment, with the rate of interest so

¹¹ Frederick A. Hayek, *Monetary Theory and the Trade Cycle* (New York: Harcourt, Brace & Co., Inc., 1932).

adjusted that savings are finding their way into equivalent amounts of investment. The assumption of full employment is especially important, since it means that an increase in output in any one segment of enterprise can only be at the expense of other types of enterprise. For example, any increase in the production of capital goods must be at the expense of consumption goods production.

The villain in the plot, as Hayek sees it, is expansible bank credit, which is a product of fractional reserve banking. That is, with banks only required to keep some fraction of their deposits in the form of a reserve, the banking system is empowered to expand any excess reserves at a given time to a limit which is the reciprocal, roughly, of the legally required reserve fraction. In other words, if banks in a system are required to maintain a reserve equal to 20 percent of deposits, the system could expand any existing excess reserves into five times that amount of credit. This is, of course, only a mathematical limit. In actual practice, because of time lags, imperfect knowledge, and the like, the mathematical limit would never be reached; but it is nonetheless true that the banking system, when based upon fractional reserves, does have power, as it were, to "create" money.

The expansion of bank credit comes about whenever the market rate of interest is lower than the natural or equilibrium rate. This relationship may occur because additions to bank reserves have caused banks to lower the market rate of interest or because entrepreneurial expectations may be sufficiently optimistic to raise the equilibrium rate. As long as the market rate of interest remains below the equilibrium rate, it will pay business firms to borrow for expansion purposes, with resultant increases in the total volume of credit.

Entrepreneurs utilize the credit obtained to enlarge the means of production. Hence, there is a rise in the price of capital goods relative to consumption goods and a tendency for mobile resources, labor and capital, to transfer to higher stages (capital goods) of production. This process, in turn, brings about relative scarcities of factors of production and of consumption goods which force the general price level upward. As a result of this sequence of events, Hayek notes that "forced savings" appear as consumers are forced by inflation to forgo a portion of what they would have ordinarily consumed had not the price level risen. Thus, savings have increased, as must always be the case if investment is to rise. The savings referred to, however, are involuntary, as opposed to the voluntary variety. That is, there has been no change in the sentiment of consumers in general with respect to the relative amounts which they wish to consume and save. Therefore, consumers exert various pressures for higher incomes in order to regain the level of consumption desired and consequently cause prices to rise even more rapidly than before.

Eventually, as bank reserves and/or entrepreneurial expectations fall,

the market rate of interest and the equilibrium rate come into line with each other; and the inflationary process gives way to one of liquidation, disemployment, and general deflation. The central cause of the whole process is always overinvestment, which is brought about by forced saving, which, contrary to voluntary saving, brings about a temporary and artificial change in the structure of production as between capital and consumption goods which cannot be maintained. The real or voluntary savings to support the change are not present; and thus, the eventual crisis occurs because of a paucity of savings rather than as a result of oversaving, as some theorists have postulated.

In Hayek's view, there cannot be excessive saving, but there can be excessive or overinvestment, given an elastic money supply. Bank credit under such conditions creates an illusion which is not discerned by entrepreneurs, who are not in a position to know what has really caused the relatively low market rate of interest. Such a low rate of interest will appear the same to entrepreneurs whether it results from voluntary or forced saving.

Depression, in Hayek's thinking, is a painful period of shortening the production process to the relationship between capital and consumption goods dictated by the level of voluntary savings. Like all economic adjustments, it is carried too far, which tends to explain why depressions are as long and serious as they are and also why subsequent periods of expansion will follow. During the depression years, workers and other mobile resources will tend to be released from capital goods industries more rapidly than they can be absorbed by the consumption goods industries, a fact which explains the growing volume of unemployment. The principal solution to the whole problem as presented by Hayek is a *neutral* money supply via the elimination of the elasticity of bank credit.

Keynes's Underinvestment Theory. The twentieth-century theory of employment which probably occasioned most discussion has been that advanced by the late English economist, John Maynard Keynes. The theory, initially introduced by Keynes in 1931, was refined and modified in his book of 1936, which is usually referred to as Keynes's *General Theory*.¹² Keynes's theory, by tying together the better aspects of earlier theories and presenting some Keynesian concepts along with a new approach, is the most comprehensive of all employment theories to date. It has also been the most influential—its impacts may be seen reflected in national economic policies of most of the major industrial economies. At the same time, the theory has had some divisive effects, especially in regard to the policy implications contained therein. Even within the ranks of academic economists, it is not uncommon to note the adjectives

¹² John Maynard Keynes, *The General Theory of Employment, Interest and Money* (New York: Harcourt, Brace & Co., Inc., 1936).

“Keynesian” and “anti-Keynesian” being used to categorize economics professors and writers. With the passage of time, this twofold classification of economists has tended to evaporate. It is not uncommon, however, to hear many present national economic policies which may owe their origin to Keynesian analysis referred to as the “new economics.”

Keynes begins by observing the very close and direct relationship between the level of national income¹³ and employment. Employment and national income (GNP) levels are seen as being dependent upon the level of aggregate spending in the economy. In analyzing aggregate spending, Keynes classifies spending as being either spending for *consumption* or spending for *investment*. Consumption spending consists of spending by consumers for nondurable goods, consumers’ services, and durable goods to be used in the satisfaction of consumers’ wants. Investment spending includes spending by the firm and/or the household for new construction, new equipment, or changes in inventory, as well as governmental purchases of goods and services and net foreign investment. The first of the investment items is collectively referred to as gross private domestic investment; government purchases include purchases of goods and services by all governmental units—federal, state, and local; while net foreign investment refers to the net export balance on goods and services minus the net outflow of gifts.

Keynes then proceeded from the above to note that national income is always equal to the sum of aggregate consumption and investment spending. This relationship he expressed in his famous little equation:

$$Y = C + I^{14}$$

Since both the level of national income and the level of employment are dependent upon the level of aggregate spending, it follows that to maintain income and employment at satisfactory levels, a given nation must find ways to keep consumption and investment spending at levels sufficiently high to assure and maintain full employment.

Of the two forms of aggregate spending, consumption spending is the larger as well as the more stable form. Investment, notably that segment referred to as gross private domestic investment, is highly variable. In fact, the central idea in the Keynesian theory is that cyclical fluctuations are caused in the main by variations in the level of gross private domestic investment. As an economy matures and becomes wealthier, however, it should be noted that spending by consumers for durable goods, some-

¹³ The term *national income*, as used by Keynes, is the equivalent of the term *gross national product* (GNP), as used in economic literature of this country.

¹⁴ Although Keynes arbitrarily included government purchases in investment (*I*), it is common today to separate them and to state the equation as follows: $Y = C + I + G$.

times referred to as consumer investment expenditures,¹⁵ increases relative to total consumption expenditures. Since the nature of durable consumption goods is such that they need not be replaced so frequently as nondurables, their growing use constitutes a source of greater variation in the level of aggregate spending in a mature economy than would be true of an underdeveloped economy. Spending for consumer services also merits special attention as it, too, is a sign of national affluence if it is rising in both absolute and relative terms. Since World War II the climb in this segment of consumption spending has been steady and pronounced with scarcely a ripple for recession periods. Thus, from 81.8 billion dollars and 35 percent of total consumption spending in 1953, spending for consumer services mounted to 221.0 billion dollars and over 40 percent of total consumption outlays by 1968.

Keynes further noted that at successively higher levels of national income, larger amounts and larger proportions of investment spending must be forthcoming if full employment is to be maintained (see Figure 9-1). This is owing to the fact that while the volume of consumption spending rises with the income of a nation, it does not rise so steeply as GNP. Hence, the principal problem of a mature industrial economy becomes one of filling an ever-widening gap which exists between the actual level of consumption spending and that level of national income which will assure full employment. Since Keynes did not believe a consistently adequate amount of investment expenditure could be expected year after year from the private sector of the economy, he strongly advocated the use of government purchases of goods and services in a compensatory manner in order to prevent deflation and inflation as well.

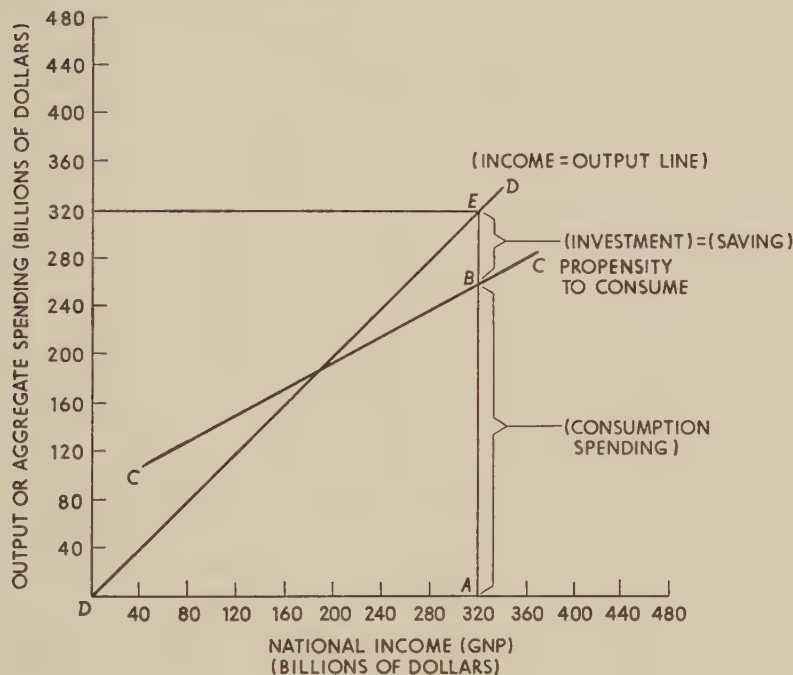
In Figure 9-1 the dependence of national income on aggregate spending (output) is clearly shown. The line *DD*, drawn at an angle of 45 degrees, portrays the equality between aggregate income and output. The line *CC* represents the economy's propensity to consume, i.e., its tendency to spend for consumption at varying levels of national income. Thus, the segment *AB* depicts the volume of consumption spending at the given level of income (\$320 billion), while the segment *BE* represents the volume of investment at the given income level. As a result, it is obvious from the diagram that national income (\$320 billion) is the sum of consumption plus investment spending. As noted above, the diagram also illustrates the tendency for consumption spending to rise less steeply than national income, thereby necessitating an increasing amount and proportion of investment expenditure at successively higher income levels.

In the Keynesian theory, savings and investment are observed as

¹⁵ James N. Morgan, "Consumer Investment Expenditures," *American Economic Review*, December, 1958, pp. 874-901.

being equal since, by definition, both of these concepts are equal to income minus consumption spending. The classical economists had also taken cognizance of the equality which must exist between savings and investment, but they differed from Keynes on one important point. The classicists assumed that savings and investment would tend to be equal, with the economy in equilibrium at full employment. Keynes argued that savings and investment could be equal to each other at full, slightly less than full, or much less than full employment levels.

Figure 9-1 Income and aggregate spending

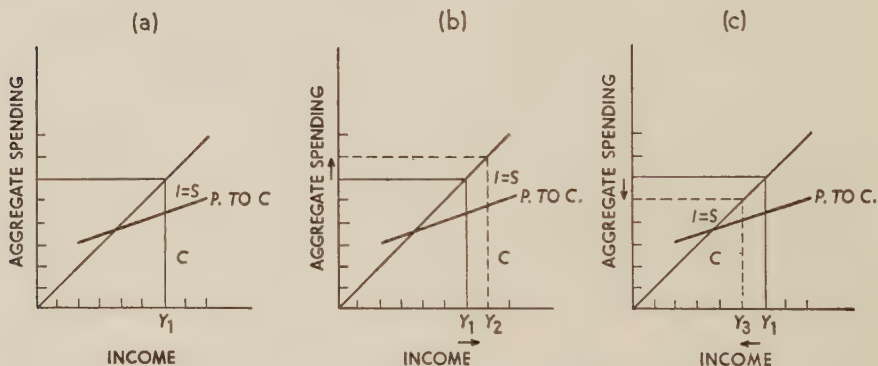


In speaking of the savings/investment equality, Keynes was referring to the *ex post* or accomplished stage, rather than to the *ex ante* or planning stage. In the latter stage the chances that planned savings will just equal planned investment are remote. But after the plans are implemented and the period of time in question has elapsed, savings and investment will have been brought into equilibrium with each other by appropriate shifts in national income.

The results which stem from marked differences in planned saving and planned investment are illustrated in Figure 9-2. In Figure 9-2 (a), savings and investment in a given year are equated at a level of \$80 billion, consumption spending amounts to \$220 billion, while national

income (Y) totals \$300 billion, a level which is short of the full-employment level. In planning for the next year, savers collectively plan to save about the same amount as in the first year, or \$80 billion. Investment planners, on the other hand, are optimistic in their expectations and plan to spend \$120 billion for investment. When these plans are put into effect in the following year, represented by Figure 9-2 (b), national income (Y) moves to the right by \$50 billion as a result of increased spending for investment of \$40 billion and an increase in consumption spending of \$10 billion. Savings and investment are thus equated by the movement to the right of national income (Y) and are obviously at a much higher level than the plans for saving would have indicated. In the third year, assume that the savers were collectively planning to save an amount equal to that of the first year, or \$80 billion, but that investment planners had become pessimistic and expected to spend collectively for investment

Figure 9-2 Change in Y from change in I



only \$50 billion. The result of the implementation of these plans, as illustrated in Figure 9-2 (c), will be a decline in national income (Y) to \$250 billion as a result of a cut in investment of \$30 billion and a decline in consumption spending of \$20 billion. Again, savings and investment are equated by the movement of national income (Y), this time to the left, but at a decidedly lower amount than the plans for saving would have indicated. Thus, Figure 9-2 aptly illustrates the dependence of national income upon actual aggregate spending and also how S and I are equated in the *ex post* sense by appropriate movements in national income (Y).

This also introduces a seeming paradox: As the economy plans to save more, it ends up with smaller aggregate savings; as the economy plans to spend more, it ends up with larger amounts of aggregate savings. This is, among other things, a rather dramatic substantiation of the contention

that national income and employment are determined by aggregate spending.

There are several reasons why planned S and I are apt to be out of line with each other. In the first place, the groups doing the planning are not identical. The saving group is the larger, of course, and consists of all persons who plan to spend less for consumption than they will receive as income. The investment group is a more select group, consisting only of entrepreneurs and home owners who plan to purchase new construction or new equipment, or to add to inventories. The very fact that the two groups are not identical, then, is a very real source of disagreement between planned S and I .

Perhaps an even more significant explanation, however, exists in the fact that different sets of motives underlie the two types of planning. Leaving net foreign investment and government purchases out of consideration, since the former is a relatively small item and the latter is motivated perhaps more by political than by economic considerations, what is the primary motive for gross private domestic investment? The word *profitability* sums it up quite well. That is, entrepreneurs allegedly will spend for investment when it is considered by them to be profitable to do so, or, in other words, whenever the marginal efficiency of capital is judged as being in excess of the rate of interest. Keynes defined marginal efficiency of capital as the anticipated yield of an additional capital investment. The rate of interest is the cost, as it were, of the borrowed capital to be used in investment projects. If the entrepreneur expects—note the importance of expectations—the marginal efficiency of capital in his industry to be in the neighborhood of 10 percent, while the interest rate is found to be 6 percent, he will find it profitable to spend for investment. On the other hand, if the entrepreneur is pessimistic about the marginal efficiency of capital and judges it to be about 4 percent or less, while the rate of interest is still 6 percent, it would be very unprofitable for him to enter into investment spending. Furthermore, the entrepreneur's decision should be the same even if he has sufficient funds of his own. Alternative uses of such funds would be more profitable, given the going rate of interest, than if he were to invest them in his own firm. The economic principle of opportunity costs is here involved.

Thus, the volume of aggregate private investment will depend upon whether the vast majority of business firms find it profitable to spend for investment in terms of the relationship between the going rate of interest and their estimate of the marginal efficiency of capital. If a major proportion find the relationship to be unprofitable, such a decline in I will occur as to bring about sizable declines in GNP and the level of employment. Booming conditions can result, however, if the major portion of business firms discover a profitable relationship between the two rates mentioned. Keynes considered marginal efficiency of capital to be

relatively unstable in the short run, with consequent wide fluctuations in the level of investment spending. Hence, the chances for full employment on a continuous basis were considered to be remote, if the private economy be left to its own devices.

The motives for saving are quite different from those for investment and may be weak when the investment motive is strong, or vice versa. The motives for saving were summed up by Keynes in his concept of liquidity preference. Liquidity preference refers to the desire of the public at varying intervals to hold assets in liquid nonearning forms as opposed to nonliquid and income-earning forms. Liquidity preference of individuals, in turn, is assumed to be dependent upon three principal motives for wanting assets in a liquid form: the transactions motive, the precautionary motive, and the speculative motive. The first two motives were pictured by Keynes as being relatively innocuous with respect to their influence on liquidity preference, since they were assumed to vary little over the course of the cycle. The transactions motive refers to the need for liquid assets to facilitate the daily business transactions which arise, while the precautionary motive refers to the need for liquid assets to enable individuals to take care of unforeseen emergencies which may arise from time to time. Relatively speaking, these motives for liquidity are probably somewhat equal as to relative strength in periods of prosperity and recession alike.

The speculative motive, however, may be the source of great fluctuations in liquidity preference. This motive involves the estimation of persons at given times of the desirability of keeping assets in income-earning forms, such as corporate stocks and real estate, versus the desirability of converting such assets to liquid forms, such as cash and checking accounts. If the general speculation is that stock and real estate values are going to decline, the intelligent and logical move would be to sell securities and real estate, hold cash instead, and wait until the bottom of security and land prices is reached before buying such income-earning assets again. On the other hand, if the general speculation is that real estate and corporate securities are going to appreciate in value along with a general inflation in prices, cash as a store of value loses its appeal, liquidity preference declines, and liquid assets are converted as much and as fast as possible into income-earning assets.

With rising liquidity preference, interest rates would tend to be pushed up, other things being equal. At such times, however, the marginal efficiency of capital is apt to be declining. The result of this combination is declining gross private domestic investment. In other words, the motive for investment—profitability—is low, while the motive for saving—liquidity preference due to speculation—is high. At other times, when the speculative motive influences liquidity preference downward, interest rates will also be tending to move downward and/or to be

relatively low as a result of previously depressed conditions. At just such a time, marginal efficiency of capital may appear to be relatively high. Hence, the end result will be booming private investment expenditures. In other words, the motive for private investment spending is high, while the motive for saving—liquidity preference due to speculation—is low.

The extreme situations just described are quite descriptive of conditions in the latter part of 1929 and in many years since World War II. In the fall of 1929, liquidity preference and interest rates rose to an extent sufficient to bring about the stock market crash in October. At the same time, gross private domestic investment was beginning to decline markedly as entrepreneurs evidently judged the marginal efficiency of capital to be lower than the rate of interest. On the other hand, in many years since World War II, liquidity preference and rates of interest have been relatively low, while marginal efficiency of capital has been relatively high in major sectors of the economy. The result has been high levels of gross private domestic investment in many years, with the exception of the brief recession periods which have occurred.

Thus, it is contended via the Keynesian theory of employment that national income and employment levels are closely linked to fluctuations in gross private domestic investment. These variations, in turn, are dependent upon changes in the level of the volatile marginal efficiency of capital with relation to the more stable rate of interest. Entrepreneurial expectations are assumed to play a vital role in the determination of marginal efficiency of capital along with the stock of capital goods on hand at a given time and the level of production costs. During the course of a boom period, because of rising stocks of capital goods, rising production costs (including interest rates), and declining entrepreneurial expectations, marginal efficiency of capital undergoes a gradual decline, with corresponding effects upon the level of investment spending.

Consumption spending, in turn, is determined by the *level* of national income as well as by the nation's average *propensity* to consume. Thus, if declining spending for investment occurs due to variations in marginal efficiency of capital noted above, this will bring about a decline in national income, with resultant declines in consumption spending. Thus, with both types of aggregate spending down and declining, national employment levels must also decline. Obviously, the reverse will be true if investment spending is increasing, since this will mean higher levels of income, greater outlays for consumption as well as investment, and rising levels of employment.

As inferred earlier, Keynes was a strong advocate of government purchases of goods and services being used as a balancing agent to promote economic stability. Thus, in periods when private investment is declining and unemployment as a result is rising, government purchases

should theoretically be increased by enough to offset the decline in private investment. Further, this increase in government purchases would be financed by borrowing (deficit finance) to prevent the offsetting influence which increased taxes would otherwise have. On the other hand, in periods when private investment is rising so rapidly as to threaten the economy with inflationary conditions, government purchases would be cut, budgetary surpluses would be incurred by government, and the net result would be the withdrawing of more purchasing power from the economy by government than is being injected. The *compensatory fiscal* policy as just outlined would be relied upon to soften or smooth out economic fluctuations. The prior goal of a balanced governmental budget each and every year would obviously give way to the goal of stabilizing employment. That is, government spending would be used as needed to increase the overall economic stability of the nation. Perhaps some rough budget balance over the course of the cycle might result, but this would not necessarily follow.

While most economists gradually came to favor the national income approach utilized by Keynes and to use some of his concepts, the greatest amount of contention centered around Keynes's recommendations as to governmental policy. Thus, the so-called "anti-Keynesians" have steadfastly maintained that government should be kept out of the picture—that the private sector should be allowed to right itself from depressed conditions. This position is probably in part attributable to the classical economics leanings of this group plus a fear of possible revolutionary changes in the economic and political structures of the society. Proponents of the Keynesian approach, on the other hand, have agreed that the economy would probably right itself from depressed conditions in time but that the occurrence of severe hardships during the time required cannot be tolerated in a mature industrial economy, where full employment must ever be a major goal, if not *the* major goal.

In actuality, the argument briefly outlined above is probably more or less academic in nature. The combination of a democratic form of government and a seemingly intense desire for high, if not full, employment means that in time of stress, irresistible pressures will be applied to congressmen by their constituents to increase government purchases via deficit finance. It is probably safe to conclude, however, that compensatory fiscal policy will be more difficult to implement in periods of inflation than in periods of deflation. This will be true both because of the seeming need to keep the nation armed to the teeth even in times of peace and the oft-observed fact that it is difficult for legislators to be elected or re-elected on a platform which advocates a reduction of governmental spending within their respective districts.

It is highly probable that the typical free enterprise economy will not go so far with the compensatory fiscal policy, even in periods of depres-

sion, as would be necessary to offset declines in private investment. Thus, Keynes observed during the 1930's that the typical free enterprise economy probably would not be willing to increase government purchases enough to restore full employment under any conditions short of all-out war. This view appears to have been substantiated in the United States during the 1930's. Thus, between 1929 and 1932, when private investment had dropped from \$16.2 billion to \$0.9 billion, government purchases also actually declined by \$0.4 billion overall, due to declines at state and local levels which offset a mild rise in federal expenditures. Even in the best years of New Deal spending, the increase in government purchases never offset the decline in private investment from 1929 levels. In the meantime, the growth in population during the 1930's required higher than 1929 investment levels for the maintenance of full employment.

Multiplier and Acceleration Factor. In connection with Keynes's theory that the level of employment and income are determined by the level of aggregate spending and that fluctuations in such spending, notably in the investment sector, bring corresponding fluctuations in income, two other concepts are noteworthy. The first of these is the multiplier concept. This concept is a recognition of the fact that an initial change in the level of spending—say, investment spending—will ultimately result in a change in national income which will be some multiple of the change in investment spending. The ultimate change in the income level will be governed by the size of the nation's multiplier. Keynes noted that the multiplier of a nation is dependent upon that nation's *marginal* propensity to consume, i.e., the tendency of a nation to change its level of consumption spending in response to a given change in the income level. Thus, the marginal propensity to consume is differentiated from the average propensity to consume. The former is expressed as the change in consumption spending over the change in income $\left(\frac{\Delta C}{\Delta Y}\right)$, while average propensity is simply the amount of consumption spending over the level of national income $\left(\frac{C}{Y}\right)$.

The formula for ascertaining the multiplier is:

$$k = \frac{1}{1 - \frac{\Delta C}{\Delta Y}}.$$

Thus, in a given nation, if when income rises by \$4 billion, consumption spending increases by \$3 billion, the multiplier would be: $\frac{1}{1 - 0.75}$, or 4.

It will be observed that a nation's multiplier varies directly with its marginal propensity to consume. Thus, if a nation's marginal propensity

to consume is 50 percent, the multiplier would be 2; while if the marginal propensity to consume were 90 percent, the multiplier would be 10. The reason for this, of course, is that in the first instance the average person, upon receiving an increase in income, spends only 50 percent of it for consumption; while in the latter case, 90 percent of any income increase is spent by the average individual for consumption. The multiplier dramatically illustrates the relationship between the level of spending and the level of income.

The above observations also lead to the conclusion that the multiplier would be higher in an underdeveloped nation than in a mature wealthy nation. This would follow because people on average in the poorer nation would of necessity have a higher marginal propensity to consume than would the average person in a wealthy nation, where the average scale of living is relatively high. By the same token, the multiplier of a given nation would tend to vary inversely with the business cycle, being higher in periods of depression than in the middle of prosperity periods.

The multiplier should not be thought of as an exact or precise tool, but rather as a rough indicator of the amount of increase required in the category of investment spending to produce a desired increase in the level of national income and employment. Hence, the multiplier is of some use as a policy determinant.

The concept known as the acceleration factor was also recognized by Keynes, as it had been earlier by other theorists. This concept refers to the tendency for induced secondary or tertiary effects upon investment spending to result from changes in consumption spending. That is, if private investment be initially increased by a given amount, this will result in some stimulus to consumption spending as increased incomes in the investment sector are reflected in increased consumption spending. Likewise, the increase in consumption spending will theoretically occasion a second round of increase in investment, followed by a second round of increase in consumption, and so on until the effects wear themselves out. Thus, the ultimate increase in national income would be equal to the product of the multiplier times the *total* increase in investment spending—not just the initial increase. The acceleration factor tends to explain how an increase or a decrease in spending in a given sector such as private investment can snowball into additional changes in the same direction. It should be noted, however, that the accelerator effect is quite dependent upon the amount of unused plant capacity at a given time. In periods of depression, with most firms producing far below capacity, increased consumption spending may merely lead to greater use of existing capital rather than added investment. Or with unemployment high, there might even be some substitution of labor for capital rather than added investment. Additionally, it is generally held that the acceleration factor will tend to be larger if the increase in investment is initiated in the private sector of the economy as opposed to the govern-

mental sector. The primary reason usually cited is that the increases in governmental spending—especially when sizable—tend to produce some apprehensions on the part of private firms relative to future tax trends.

Effective Demand Approach. Another approach to the Keynesian theory of employment besides the aggregate spending approach just reviewed is that known as the effective demand approach. When this approach is taken, it becomes evident that the level of employment in the economy at a given time is determined by the level of effective demand which, in turn, is a result of the relative positions of the aggregate supply and demand functions. The aggregate supply function consists of a series of receipts which entrepreneurs estimate they would need in order to supply various levels of employment. This function is dependent upon such determinants as the techniques of production, the quantity and quality of the supply of resources, and the unit costs of factors of production. The function is pictured as rising sharply as full employment is approached, for a number of reasons, such as the tendency toward less economic combinations of factors, rising factor costs stemming from relative factor scarcities, and rising costs associated with the employment of marginal employees.

The aggregate demand function, on the other hand, should be thought of as representing the series of receipts which entrepreneurs expect to be forthcoming at various levels of employment. It should be noted that entrepreneurial expectations are accorded much importance here by Keynes. Aggregate demand was defined as including both the demand for or the level of expected spending for consumption goods at various employment levels (D_1), as well as the level of expected spending for investment (D_2). The point at which the two functions intersect each other is called the point of effective demand, for this is the point on the demand function which determines the level of employment at a given time. For lesser or greater amounts of employment to be supplied would result in a failure on the part of entrepreneurs to maximize incomes or profits.

Since Keynes assumed that aggregate supply was relatively fixed in the short run, if the intersection of aggregate demand and supply were to occur at a point short of full employment, this should be resolved by manipulating aggregate demand as opposed to aggregate supply. Hence, by various devices, such as monetary policies designed to force rates of interest downward, gross private investment expenditure might be stimulated.¹⁶ Since this would be difficult to bring about in sizable enough

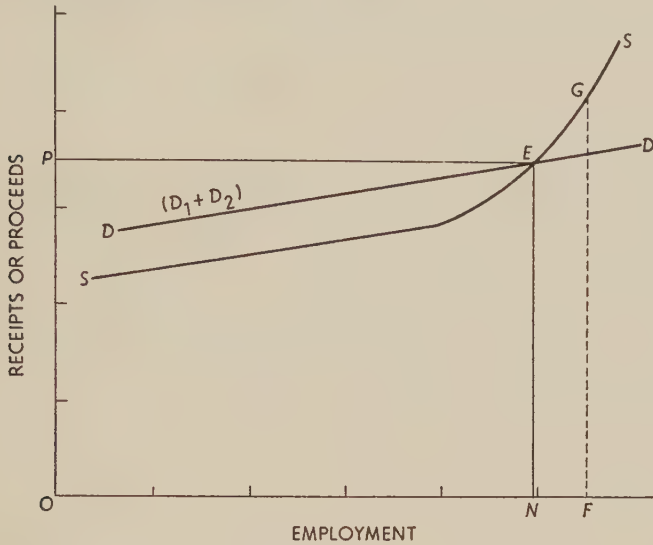
¹⁶ Monetary policies implied here, of course, are those utilized by the central bank, namely, the raising or lowering of reserve requirements, the raising or lowering of the rate of rediscount, and open-market purchase or sale of securities. Any one or all of these tools might be used with a view toward increasing bank reserves and thus lowering interest rates, with the hope of stimulating private investment. Or these tools may be used to decrease bank reserves and thus force interest rates upward so as to dampen inflation.

proportions, however, during periods of severe depression, aggregate demand would have to be raised by increasing purchases of goods and services by government, according to Keynes.

The role played by effective demand in the determination of the level of employment is illustrated in Figure 9-3. The line *SS* represents aggregate supply, while the line *DD* depicts aggregate demand. The actual level of employment, *ON*, is determined by the intersection of aggregate supply and demand at point *E*, the point of effective demand. Thus, actual employment, *ON*, falls short of full employment, *OF*, in this hypothetical case. According to the Keynesian theory, full employment can best be attained by manipulating or raising aggregate demand, *DD*, until it intersects aggregate supply, *SS*, at point *G*. At this point, effective demand would yield full employment for the economy. Aggregate demand may be raised to point *G* by stimulating either private investment or government purchases, or both. If the level of unemployment is seriously high, however, the Keynesian theory implies that the greatest upward movement of aggregate demand in the shortest possible time would come via an increase in government purchases of goods and services, with this increase being financed through governmental borrowing. In 1964, for example, spending in the private sector was stimulated by lowering the federal income tax rates on individuals and corporations while government purchases were stepped up via the antipoverty program of the Johnson Administration. The following year saw certain excise taxes cut or eliminated while government purchases were increased to accelerate the Vietnam War effort. By 1967 the economy was becoming "overheated" or suffering from increasing inflation. It wasn't until 1968, however, that Congress finally levied a surtax while at the same time cutting government purchases.

Solutions to the problem of unemployment which have been suggested in this and earlier sections of this chapter should not be thought of as a complete antiunemployment arsenal. It should be noted that the solutions have all been directed at the improvement of effective demand and could be expected to succeed only to the extent that unemployment can be attributed to an inadequacy of effective demand. Unemployment caused by seasonal, technological, or structural factors would necessitate different approaches for the best results. Thus, seasonally oriented unemployment might be relieved by such devices of private firms as producing for inventory during slack seasons and/or attempting to regularize the buying habits of customers. Unemployment traceable to technological or structural factors might best be minimized by such approaches as the education and retraining of displaced persons for new types of employment and/or the improvement of labor mobility in various ways. Nevertheless, basic to the overall employment level of an industrial nation is an adequate level of effective demand. Unless this be present, approaches

Figure 9-3 Effective demand and employment



such as retraining and education may only serve to upgrade the educational level of the unemployed.

SUMMARY

In retrospect, the growing prevalence of fluctuations in economic activity as industrialization has progressed has produced a growing body of employment or cycle theory. It is obvious from the brief sample included in this chapter that the twentieth century has been especially productive in this respect. Virtually all theorists in this area of study, and certainly those discussed herein, have contributed something to a better understanding of the phenomenon of economic fluctuations. Certainly, any complete study of cyclical unemployment should not overlook such aspects as the influence of innovations, the role of bank credit, the part played by psychological reactions of entrepreneurs, the strategic importance of gross private domestic investment, and the auxiliary contributions of the multiplier and the acceleration factor. Thus, it should be no surprise to note that the Keynesian theory has been so widely accepted in recent years, since it is essentially an eclectic theory, combining significant contributions of other theories in a comprehensive explanation of income and employment fluctuations.

It should not be assumed that the last word has been written in theorizing about cyclical fluctuations. Aspects of the theories above still remain to be tested and modified. Perhaps new theories are now in the

process of being born. One thing is reasonably certain: Much more is known about this phenomenon today as a result of decades of study than was known in the nineteenth century.

DISCUSSION QUESTIONS

1. Criticize Say's Law of Markets in the light of the modern industrial economy.
2. Differentiate between Hobson's concept of "saving" and that of Karl Marx. Which one, if either, do you feel was closer to the truth?
3. Why was agriculture abandoned as the transmitter of alleged effects of sunspots to the total economy as the nineteenth century wore on?
4. Predominant economic thought of the twentieth century has conceived of government as an economic balance wheel, contrary to economic thought of the nineteenth century. Why do you think this change has taken place? Do you see any relationship between this trend and the mercantilism of the Middle Ages?
5. In connection with Schumpeter's theory of innovations, why did he omit the possibility of one set of innovations taking over as the prior set is exhausted as to overall effects, thereby obviating the necessity of a decline in economic activity?
6. Discuss several reasons for the accumulation of what Pigou called "errors of optimism" in the free enterprise society.
7. Why do you think Hawtrey felt there was little likelihood for increased consumption spending upsetting the economy's equilibrium?
8. Why does Hayek give the impression that *voluntary* saving is preferable to *forced* saving? Do you agree with his position?
9. What central bank policies could be utilized if it was considered desirable to dampen inflation? Why? What policies would be consistent with a desire to stimulate economic activity? Why might these policies be less effective than those designed to dampen inflation?
10. Why must savings and investment be equal in the *ex post* or accomplished sense? Why would they rarely be equal in the *ex ante* or planning sense?
11. Which is the more important determinant, in your opinion, of the level of private investment—the interest rate or the marginal efficiency of capital?
12. Discuss some of the determinants of aggregate demand and aggregate supply in the industrial nation.

SELECTED READINGS

- CEMENCE, R. V., and DOODY, F. S. *The Schumpeterian System*. Cambridge: Addison-Wesley Publishing Co., Inc., 1950.
- DILLARD, DUDLEY. *The Economics of John Maynard Keynes*. New York: Prentice-Hall, Inc., 1948.

- ESTEY, JAMES ARTHUR. *Business Cycles*. 3d ed. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1956.
- HANSEN, ALVIN H. *Business Cycles and National Income*. New York: W. W. Norton & Company, Inc., 1951.
- KLEIN, LAWRENCE R. *The Keynesian Revolution*. New York: Macmillan Co., 1947.
- MCCONNELL, CAMPBELL R. *Economics: Principles, Problems, and Policies*. 4th ed., Part 2. New York: McGraw-Hill Book Company, Inc., 1969.
- MORGAN, THEODORE. *Income and Employment*. New York: Prentice-Hall, Inc., 1947.
- OKUN, ARTHUR M. (ed.). *The Battle Against Unemployment*. New York: W. W. Norton & Company, Inc., 1965.
- PIGOU, A. C. *Industrial Fluctuations*. London: Macmillan & Co., Ltd., 1927.

EMPLOYEE INSECURITY RELATING TO AGE AND OCCUPATIONAL HAZARDS

Employee economic insecurity associated with the aging process and with occupational hazards was not born with industrialization. Economic insecurity of this nature has plagued man in every type of economy from the most primitive to the most advanced. It is reasonably safe to conclude, however, that the first two centuries of industrialization have witnessed the *intensification* of such economic insecurity.

In the case of economic insecurity related to the aging process, industrialization has occasioned many institutional changes which have tended to inflate the economic problems of the older segment of the population. Thus, for example, urbanization, with its relatively crowded living conditions, makes the care of dependent parents by their children a more difficult task than it was in the less crowded agricultural society. The money-exchange economy which becomes essential in the wake of industrialization and its attendant specialization also poses peculiar problems for the aging. Instead of being able to contribute toward the actual making of a living, as was possible in the self-sufficient agricultural family, the industrial society's aged tend to become distinct economic liabilities for the children, who may nevertheless be expected to support them. Finally, the very nature of the productive process necessitates longer periods of formal training as well as relatively early retirement. As a result, the earning portion of the individual's life span has been a shrinking portion, while the retirement period has tended to expand relative to the total life span. It seems reasonable to conclude that economic insecurity associated with aging has been intensified through the industrialization process to date.

Economic insecurity of employees stemming from occupational hazards also was not initiated by industrialization. Workers, especially those

in the lower echelons, have suffered what might be termed industrial accidents in all types of societies which preceded the industrial society. It is a matter of record, however, that at least the initial impact of mechanization upon the productive process occasioned a pronounced rise in the number and the severity of industrial injuries. Hence, as in the case of the aging process, industrialization may be said to have intensified the economic insecurities of the worker relating to job hazards.

ECONOMIC INSECURITY AND THE AGING PROCESS

Before discussing economic insecurity associated with the aging process, the term *older person* should be defined. Obviously, it could be defined either in purely biological concepts or in solely chronological terms. Biologically speaking—and aging is basically a biological phenomenon—some persons would have to be classed as being relatively older at a given chronological age than would others of the same chronological age group. Because, in part, of the difficulty of setting up biological boundaries for the various age groups and partly because of accepted institutional arrangements surrounding retirement practices within the industrial society, the older person will be herein defined from a purely chronological standpoint. That is, individuals will arbitrarily be categorized as *older persons* if they are at least 65 years of age or older.

Some Pertinent Population Trends

There are various measures of the size of the problem of old-age insecurity. One of these measures consists of the number and the proportion of older persons in the society at a given time. The *trends* in these concepts are also significant in determining whether the problem is a growing or a shrinking one.

In absolute terms the older segment of the population of this country has grown unbelievably during this century. From a total of about 3.1 million persons aged 65 and over in 1900, the segment in question had grown to about 18.5 million by 1966 (see Table 10-1). In relative terms the growth of the older segment of the population has been even more striking than the absolute growth. While total population was rising from about 75.9 million in 1900 to about 196.9 million in 1966, or by approximately 159 percent, the 65-and-over age group increased by about 496.8 percent. Two major explanations for the growth in the percentage of total population represented by those aged 65 and over lie in the areas of immigration and birth rates. In the former instance, the many decades of heavy immigration prior to World War I tended to bring into this nation a disproportionate number of younger persons. With the legal restric-

Table 10-1 Population trends in the United States, by age groups, 1900-1966 (in millions)

Population	Years							Percent Increase 1900-1966
	1900	1920	1930	1940	1950	1960	1966	
Total.....	75.9	105.7	122.7	131.6	150.6	180.7	196.9	159.0
Age 65 and over....	3.1	4.9	6.6	9.0	12.3	16.7	18.5	496.8
Age 0-64.....	72.8	100.8	116.1	122.6	138.3	164.0	178.4	145.1
Aged as percentage of population ..	4.1	4.6	5.4	6.8	8.2	9.2	9.4	129.2
Ratio of aged to younger.....	1/23	1/21	1/18	1/14	1/11	1/9.8	1/9.6	

Source: Bureau of the Census, U.S. Department of Commerce, *Statistical Abstract of the United States* (88th ed. Washington, D.C.: U.S. Government Printing Office, 1967), pp. 26-27.

tions upon immigration which were instituted during and after World War I, this source of persons under age 65 was greatly minimized. In the area of birth rates the marked decline therein during the 1930's (see Table 10-2) also created a situation in which the relative importance of the older group would expand with the passing of time. Still another explanation of the growth of the older group relative to total population exists in the increase in life expectancy of those who have reached age 65. This latter point will be expanded in detail later in this chapter.

Thus, in both absolute and relative terms, the older portion of the population has constituted a rapidly growing problem. While the ratio of persons aged 65 and over to those under age 65 was only 1 to 23 as of 1900, in 1966 it was about 1 to 9.4. Those aged 65 and over will probably account for about 9 percent of the total population by 1970 and may number about 8 million men and 11 million women, according to one projection.¹ Hence, in terms of the size of the older group, the economic

Table 10-2 Birth rate per 1,000 inhabitants in the United States, 1900-1966

Year	Rate	Year	Rate
1896-1900.....	29.8	1943.....	21.5
1915.....	25.0	1947.....	25.8
1920.....	23.7	1950.....	23.6
1925.....	21.3	1953.....	24.7
1930.....	18.9	1961.....	23.3
1935.....	16.9	1964.....	21.2
1940.....	17.9	1966.....	18.6

Source: National Industrial Conference Board, *The Economic Almanac* (New York: Thomas Y. Crowell Co., 1956), p. 15, and *Statistical Abstract of the United States*, 1967.

¹ Sanford S. Parker and Lawrence A. Mayer, "The Decade of the Discretionary Dollar," *Fortune*, June, 1959, p. 136.

burden thereof will continue to be an expanding one, as it has been for most of this century to date.²

Other Facets of the Problem

In addition to the growth in the size of the older person group, still other facets of the problem have tended to develop in such a way as to aggravate the old-age insecurity problem. One of these other facets consists of developments with respect to life and retirement expectancies in the United States as well as in other industrial societies. With respect to life expectancy, the average white male infant at birth in 1900 in this

Table 10-3 Life expectancy of white persons in the United States for selected ages and years

Years	Age 0		Age 45		Age 65	
	Male	Female	Male	Female	Male	Female
1900-1902.....	48.23	51.08	24.21	25.51	11.51	12.23
1919-21.....	56.34	58.53	26.00	26.98	12.21	12.75
1929-31.....	59.12	62.67	25.28	27.39	11.77	12.81
1949-51.....	66.31	72.03	26.87	31.12	12.75	15.00
1960.....	67.4	74.1	27.2	32.5	12.9	15.9
1965.....	67.6	74.7	27.3	32.9	12.9	16.3

Source of data: Bureau of the Census, U.S. Department of Commerce, *Statistical Abstract of the United States, 1967* (88th ed.; Washington, D.C.: U.S. Government Printing Office, 1967).

country had a life expectancy of 48.23 years, while the average white female infant could look forward to 51.08 years of life. By contrast, the average white male infant in 1965 had a life expectancy of 67.6 years, with that of white female infants on average being 74.7 (see Table 10-3). The major reason for such a marked improvement in life expectancy at infancy, of course, was the great progress made by the society concerning the problem of infant mortality.

More meaningful comparisons in regard to this discussion may be found in the trends in life expectancies at more advanced ages. For example, the average white male person at the age of 45 in 1900 had a life expectancy of 24.21 years, in contrast with an expectancy of 27.3 years for the corresponding person in 1965. Average white female persons at age 45 in 1900 possessed a life expectancy of 25.51 years, in contrast with one of 32.9 years by 1965. Thus, assuming a retirement age of 65 in both 1900 and 1965 the average middle-aged male had a

² It should be noted, however, that the *rate* of growth of this economic burden is declining and will continue to do so due to the high birth rates of the past twenty years.

retirement expectancy of 4.21 years at age 45 in 1900, while the retirement expectancy for a similarly aged individual by 1965 had become 7.3 years, or more than 80 percent in excess of the 1900 retirement expectancy. Under similar assumptions, the average white female person at age 45 in 1900 could anticipate 5.5 years of retirement, while her counterpart in 1965 would have to be ready for about 12.9 years of retirement. Hence, it is apparent that the period of retirement for middle-aged individuals in the society has constituted a growing period and has thus contributed to the exaggeration of the overall problem of old-age insecurity.

Perhaps most meaningful of all comparisons for this discussion is a comparison of life expectancy at age 65 in 1900 with that of 1965 because, as the older person has been herein defined, it is the group that has actually reached or passed age 65 which is the problem group. In this connection, the average white male person at age 65 in 1900 had a life expectancy of 11.51 years, while his counterpart in 1965 possessed one of 12.9 years—more than 10 percent longer than the 1900 figure. The average white female person's life expectancy at age 65 was 12.23 years in 1900, in contrast to 16.3 years in 1965—about 33 percent longer than the 1900 figure.

From the foregoing comparisons of life expectancies at various ages in 1900 and 1965, respectively, it should be clear that the average length of retirement is longer today than in 1900. This is based upon the assumption of age 65 as the retirement age for the vast majority of persons in the economy, an assumption which is supported by fact.³ In addition, as the economy has matured industrially, the need for a more highly educated labor force plus the growth of child labor legislation has elevated the average age at which individuals become producers. The net result of the developments just discussed is to decrease the proportion of the average person's life span which can be termed the economically productive portion while increasing the proportion of the average life span which might be termed economically nonproductive. That is, the typical individual in the industrial economy spends a relatively shorter period of time preparing economically for a relatively longer period of retirement. Consequently, the problem of old-age insecurity is found to be a growing problem as to its economic dimensions as well as in numerical terms.

In part, of course, the growth in the average length of retirement and the shrinkage in the working portion of the life span have been offset by higher average real incomes during working years. To date, however, this offset seemingly has not been sufficient to result in a majority of persons being economically self-sufficient at age 65. While some im-

³ That is, a majority of large employing units which employ the bulk of the industrial employees of the nation designate age 65 as the retirement age.

provement in the degree of economic independence at age 65 has undoubtedly been experienced, it is still reasonably safe to conclude that the average person at age 65, even in this land of economic opportunity, does not have sufficient economic resources of his own to carry him through anything like the 13 to 16 years of average retirement for 65-year-old men and women, respectively.

According to the 1968 *Annual Report of the Council of Economic Advisers*, in 1966 families headed by a person aged 65 or over constituted about 39 percent of all families classed as "poor." Yet these people represented only about 10.0 percent of the total population.⁴ As of 1967 OASDHI payments were made to 82 percent of the 18.5 million persons aged 65 or over. Despite this development, many aged couples and individuals lived on very low incomes. The majority of persons aged 65 and over live alone or with only one other person. As of 1966 about 40 percent of the nation's households consisting of one aged person or an elderly couple fell below the poverty line in contrast to only 14 percent of all other households. The aged couple or the aged single person must on average live on less than 50 percent of the money income commanded by a young couple or a young single person, while the poverty rate for the families of all aged men is almost triple that of younger families.

A budget for a retired aged couple which would provide for them a scale of living approaching the "health and decency" level was released by the Bureau of Labor Statistics in October, 1967, as pertaining to the autumn of 1966.⁵ In the typical urban area of this nation, such a budget would have cost about \$3900 as of the autumn of 1966. The hypothetical aged couple is assumed to be in reasonably good health and able to care for themselves. Since two-thirds of the nation's retired couples own their homes free of mortgages, the budget provides for taxes, insurance, and repair and replacement costs for a five- or six-room home. Since the *median* income after taxes for aged couples in this country in 1966 was only \$3,478, it is obvious that over half of such couples could not attain the level of the model budget unless they have savings on which to draw or are able to secure employment.

As of 1962, aged couples were found to possess only meager assets in addition to their homes. About 40 percent of the aged couples and 50 percent of nonmarried persons owned such assets valued under \$1,000. Finally, even smaller percentages of the aged possessed *financial* assets—savings accounts, checking accounts, stocks, bonds, and the like—

⁴ For a detailed account of financial aspects of the aged, see Lenore A. Epstein, "Income of the Aged in 1962: First Findings of the 1963 Survey of the Aged," *Social Security Bulletin*, March, 1964, pp. 3–23. See also Mollie Orshansky, "The Shape of Poverty in 1966," *Social Security Bulletin*, March, 1968, pp. 3 ff.

⁵ See Jean C. Brackett, "A New Budget for a Retired Couple," *Monthly Labor Review*, June, 1968, pp. 33–39.

which could readily be utilized in an emergency or for current living expenses. When OASDHI beneficiary couples were divided into three groups on an income basis, 60 percent of the lowest third had less than \$500 of financial assets; 40 percent of the middle third had less than \$500 of financial assets; and 5 percent of the top third were so situated.⁶

Thus, the problem of old-age insecurity in so far as the working class is concerned cannot be dismissed on the grounds that most persons in the group are now economically independent at age 65. This means that, given the premise that one of the goals of the society shall be the prolonging of life after retirement, some source of economic support other than their own must be found for a majority of working-class persons subsequent to retirement.

A partial solution to or mitigation of the problem of old-age insecurity might be the employment of older persons as long as they are physically able to work. This solution, however, has not been utilized in general, due to a combination of retirement-age and hiring-age policies of dominant firms within the economy.

Repeated surveys have shown that the preponderance of larger firms in the economy, those employing the bulk of the working class, still use age 65 as the age of retirement. While it is true that a few firms today permit employees to work until age 68 before retiring, such firms are generally small ones and do not collectively employ a significant proportion of the labor force. Not only does the typical large firm set age 65 as the retirement age, but retirement is usually automatic and compulsory as of that age. Again, some firms, notably smaller companies, may permit the person over age 65 to work beyond this age on a year-to-year basis and subject to annual medical checkups as well as an evaluation of the worker's production records. While age 65 as a normal retirement age was utilized prior to the 1930's, it is probable that the severe depression of that decade helped to solidify and spread its use. Thus, the current observation of age 65 as the boundary line between work and retirement is partially due to inertia and custom established during depressed economic conditions when job opportunities were scarce.

While employment of able-bodied persons beyond age 65 might constitute a mitigating factor in the economic burden of old age dependency, it would appear that the retirement age might be lowered rather than raised in the foreseeable future. Thus, a force in this direction is the provision in the Social Security Law, making it possible for both men and women to retire at age 62 on reduced OASDHI benefits. Similarly, provisions of some private industrial contracts in recent years—e. g., the

⁶ Lenore A. Epstein, *op. cit.*, pp. 3-23.

auto contracts—set up rather persuasive financial incentives for earlier retirement on the part of auto workers, retirement as early as age 60. Such downward influences on the retirement age are especially plentiful when abnormally high levels of unemployment prevail as between the years 1957 and 1964 and less apt to be in evidence during full employment years such as 1965–1968.

It might be contended that older persons *prefer* to retire at or near age 65, so that even if the retirement age were lifted, this would not contribute to longer working lives. Surveys of retired individuals would seem to indicate otherwise, however. One such survey of old-age pension recipients found 56 percent of these individuals reporting that they were compelled to retire because of the company's retirement policy; 26 percent said they retired because of poor health; only 9 percent indicated they had retired to have more time to themselves; 4 percent retired because their jobs were discontinued; and 5 percent retired for miscellaneous reasons.⁷ The results of this survey and others which might be cited tend to indicate that the big majority of able-bodied persons prefer to work beyond the normal retirement age. Retirement appears to be undesirable to the average healthy individual by the time he reaches age 65, on both economic and psychological grounds. Economically, retirement seems undesirable to the older person because it usually entails a more drastic drop in the scale of living than the individual is prepared to take. Psychologically, retirement seems undesirable to the individual at age 65 because he does not want to admit that he is no longer of any use to society. Retirement, then, seems to be something which people anticipate in their younger years but which does not seem nearly so attractive economically or psychologically when they are face to face with it. It is highly possible, however, that if the economic sacrifice of retirement could be lowered, a much larger proportion of older persons might welcome retirement. For example, the auto contracts providing for rather lucrative inducements for retirement as early as age 60 in 1964 influenced a sizable increase in the number of total retirements during their first year of effectiveness. Whether the long-run effect will be the same is still a moot point with many doubting that such numerous early retirements will be maintained as were experienced at the outset.

Further complicating the problem of employing persons for a longer time on average is the matter of hiring-age limits. For the older individual who has been laid off or retired, the chances of securing reemployment in typical firms of the economy are slight. Firms which employ the bulk of the working class in the United States have typically been found

⁷ John J. Corson and John W. McConnell, *Economic Needs of Older People* (New York: Twentieth Century Fund, 1956), p. 45.

to observe, explicitly or implicitly, hiring-age limits of about 35 for women and 45 for men. So the typical older person who finds himself compelled to retire by his firm's retirement policy usually cannot solve his economic problems by getting another job. Exceptions to this general pattern would exist only under extremely high employment conditions, such as the period during or immediately following a major war effort.

Despite hiring- and retirement-age policies noted above, unemployment levels for persons 65 and over do not appear to be overly high in most years. This is often, and perhaps erroneously, deduced as an indication that most older persons who want work are finding it. Actually, the low unemployment record may be due in large part to the drop in the labor force participation rate for persons 65 and over since 1920 (see Table 10-4). In 1920 the labor force participation rate for men age

Table 10-4 Labor force participation in the United States in the month of April, 1920-60, and projections to 1975

Age Group	1920		1940		1960		1975	
	Male	Female	Male	Female	Male	Female	Male	Female
14 and over.....	85.9	24.1	80.9	27.4	79.7	36.1	76.9	38.2
65 and over.....	57.1	8.2	43.3	6.7	32.2	10.5	25.4	10.5

Source of data: National Industrial Conference Board, *The Economic Almanac* (New York: Thomas Y. Crowell Co., 1964), p. 32.

65 and over was 57.1. By 1960 the rate for men 65 and over had dropped to 32.2 with a further decline to 25.4 projected for 1975. The aged female labor force participation rate, after dropping from 8.2 in 1920 to 6.7 in 1940, had risen to 10.5 by 1960 where it was expected to be in 1975. The drop in the labor force participation rate for older male workers may reflect, in part, compulsory retirement policies as well as hiring-age policies. It should also be noted, however, that the drop in the labor force participation rate of older men may partially be due to the more systematic provision by society and the firm for old-age insurance and pension benefits. Partly because of such developments, increasing numbers of persons may be electing to retire before age 65, still another factor which helps to explain lower labor force participation rates for older people. At least, with a minimum cushion of varied old-age benefits, the older worker who is forced to retire and who cannot find reemployment does not face sheer starvation as his only alternative. Thus, it is far easier for him to withdraw from the labor force than it was in years prior to 1935; and this, in turn, tends to cause unemployment figures for those

65 and over possibly to understate the situation relative to the preference of the group for employment.

Older Workers as Employees

Assuming, then, that a major portion of able-bodied workers who are 65 or older would like to aid in the solution of their economic problems by working, why is it that retirement- and hiring-age policies are not altered to permit their employment on a large scale? Part of the explanation, of course, is simply that of cultural lag. Although the increase in life and retirement expectancy may make it possible for many persons to work beyond age 65, this retirement age has become so firmly embedded in the economy as a result of the 1930's depression and earlier practices that it will probably require decades before the institution is altered appreciably.

In addition, the typical employer still enumerates many reasons for believing older workers to be a "drag" on the overall efficiency of the plant. Most often expressed reasons include the following: The older worker is considered to be less vigorous and alert; he is thought to be less productive than his younger counterpart; it is believed that the older worker will be absent more often and for longer periods, due to illness or accidents; and the older worker is considered to be too costly to employ because of the effect of his age upon the cost of workmen's compensation insurance as well as upon the cost of other group insurance and pension plans.

In all probability, the typical employer really adheres to a policy of compulsory retirement at a stipulated age as a means of avoiding crucial decisions as to which workers should be allowed to stay on the job after the normal retirement age. Employers have learned that such decisions often expose them to charges of favoritism and/or discrimination by those who were forced to retire while some of their fellow workers were permitted to work on from year to year. Hence, the easy way out would obviously be to dodge most decisions of this nature by forcing everyone to retire as of a given age unless disability requires even earlier retirement.

Some studies dealing with older workers have indicated them as being very valuable employees when placed in positions within their strength, endurance, and capabilities. The arguments which are advanced in favor of the older worker would appear to be more or less academic, however. Under present institutional arrangements the older worker will undoubtedly continue to be considered a marginal employee. As a result, except when full employment prevails, he is going to find it extremely difficult to secure employment of any significance as to earnings level or longevity of tenure.

Causes of Old-Age Dependency

In attempting to explain dependency in old age of the average individual, many writers in the past have seized upon superficial explanations such as those of improvidence or catastrophic "acts of God." Undoubtedly, these explanations will suffice for marginal cases of old-age dependency. The basic cause, however, of this national problem is simply the fact that even in the wealthier industrial nations the average working-class person is not able to earn enough during his working years to provide adequately for the lengthening period of retirement. This inability, furthermore, is tied very closely to the industrial nature of the economy. With most persons highly dependent upon a steady flow of wages or salaries for their support in such an economy, any interruptions thereof such as may occur due to seasonal, technological, or cyclical unemployment many times during the individual's working life will obviously interfere seriously with any plans the individual may have had for providing his own retirement income. In addition, however, it is easily recognized that even in the relatively affluent society the vast majority of the working class, as found within the unskilled and semi-skilled work groups especially, but in other groups as well, would not be able to provide adequately for their own retirement even if continuous employment could be assured them from age 14 to age 65. The earnings potential of these persons is simply not great enough, due to their relatively low marginal productivity, to permit them to accumulate large amounts of savings during their working years.

Regardless of the cause, however, the industrial society does face an intensified problem of old-age insecurity. This problem has given rise to varied institutional arrangements for coping with it. Because the problem is magnified by industrialization and because of many other factors, the institutions for handling the problem are necessarily quite different from those in the simpler agricultural society. These will be considered in the latter portion of this book.

EMPLOYEE INSECURITY AND INDUSTRIAL ACCIDENTS

The first 100 to 150 years of industrialization in England and the United States witnessed spectacular increases in the frequency with which industrial accidents occurred, as well as in the severity of the resulting injuries. The mechanization during this period which contributed to the trend held great promise for the elevation of average scales of living in the industrializing nations. At the same time, however, a high price for this progress was being assessed primarily against a growing minority of the working class. Furthermore, the individual's control over

this type of insecurity was increasingly absent or at least reduced. Thus, the problem of economic insecurity as related to occupational hazards came to be considered a societal problem meriting national attention, as opposed to a problem simply of concern to the individual or his family.

Industrial Injury Defined

Before a meaningful analysis can be made of this particular source of economic insecurity, a definition of the term *industrial injury* is highly desirable. The most widely accepted definition and the one commonly used by appropriate governmental agencies defines an industrial injury as any injury which occurs on the job and which necessitates loss of working time for the person affected exceeding the day or the shift in which the injury took place. This definition obviously draws an arbitrary line between superficial scratches and relatively more serious injuries. Some would argue that all injuries should be included, regardless of how superficial they may be. Others would contend that the above definition still includes too many minor injuries. Although the definition admittedly is of necessity a value judgment, it will be accepted herein because of its common use and also because the line which is drawn by it appears to be defensible on many counts.

It should be noted, in passing, that the term *industrial injury* is not identical with the term *compensable injury*. The latter refers to any injury which is adjudged compensable under a given state's workmen's compensation law. Since most states utilize a waiting period before compensation begins, and since the waiting periods differ among the states, the term *compensable injury* is very difficult to pinpoint; and it obviously omits many injuries which would be included in the term *industrial injury*, as defined above.

Measurement of Industrial Accidents

To aid in the measurement of industrial accidents and the trends therein, two common devices are used, namely, the *frequency rate* and the *severity rate*. The frequency rate, which affords a check upon how often industrial accidents occur, is stated in terms of the number of industrial accidents which take place per 1 million man-hours of work.⁸ Since a common denominator of 1 million man-hours is utilized, interindustry and interfirm comparisons can easily be made, regardless of the size of units compared. Some obstacles, however, prevent as high a degree of accuracy as would be desirable. The several states define

⁸ Frequency Rate = $\frac{\text{Number of Disabling Accidents}}{\text{Man-Hours} \div 1,000,000}$

disability in different ways, for example; and since most data for determining frequency rates come from state workmen's compensation agencies, the lack of uniformity has its effects upon the accuracy of the frequency rates. Secondly, the practice has spread among the largest and/or more liberal firms in many states to treat their own injured workers in their infirmaries while maintaining their full pay. Hence, such industrial accidents may not get into official data used in determination of frequency rates, since no workmen's compensation is paid.

The severity rates which are published periodically purport to indicate trends in the *seriousness* of industrial injuries. Thus, the severity rate is figured in terms of the number of days lost from work due to industrial injuries per 1 million man-hours of work.⁹ The common denominator again is used to permit interfirm and interindustry comparisons.¹⁰ In this case, however, the common denominator was only 1,000 man-hours until 1955. Therefore, earlier severity rates need to be adjusted for comparability with rates published since 1955. It should be apparent that both of the rates mentioned are significant. The cost of industrial accidents assumes importance in terms of both the *number* of accidents which occur and the *severity* of those injuries which are caused by industrial accidents.

Trend in Industrial Accidents

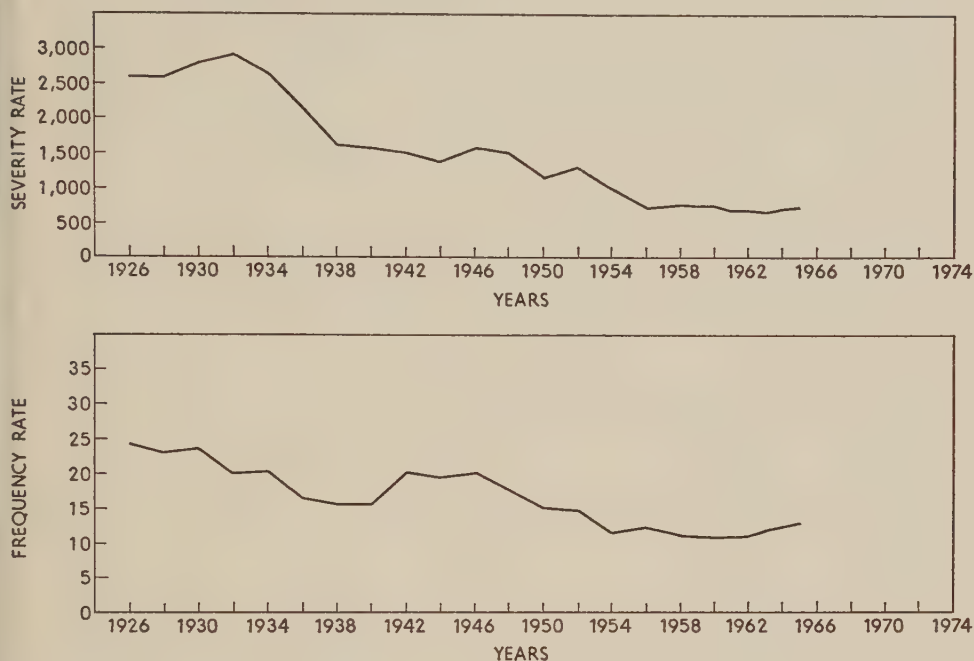
The trend in industrial accident frequency and severity rates since the middle of the 1920's has been decidedly downward (see Figure 10-1). Thus, in manufacturing, the frequency rate dropped from 24.2 in 1926 to 12.9 in 1965, for a decline of about 47 percent. During the period 1926-65 the severity rate in manufacturing fell from 2,600 days of work lost per 1 million man-hours to 713 days lost, a drop of about 73 percent.

Frequency and severity rates tended to vary directly with the business cycle between 1926 and 1965, with declines in the rates occurring during recessions and increases therein being registered during periods of high employment. Several factors undoubtedly figure in this behavior of the rates. One factor probably is that of the experience and training level of employed persons. In periods of recession the more highly trained and experienced employees tend to be retained by the firm, with the least experienced and trained persons being laid off. On the other hand,

$$^9 \text{Severity Rate} = \frac{\text{Days Lost}}{\text{Man-Hours} \div 1,000,000}$$

¹⁰ In figuring severity rates, an arbitrary allowance of a given number of days is made for fatalities and for permanent disabilities. Thus, 6,000 days is arbitrarily allowed for deaths resulting from industrial accidents. The reason for this practice, of course, is the fact that loss of working time in the event of deaths or permanent disabilities extends beyond the year in which the accident occurred.

Figure 10-1 Industrial accident rate trends in manufacturing



Source: Bureau of Labor Statistics, U.S. Department of Labor.

during periods of full employment, large numbers of inexperienced and slightly trained or untrained workers are brought into the typical firm, with resulting increases in accident rates. Another factor may be that of cumulative fatigue. During recessions, average working hours tend to decline, and fatigue recedes as a cause of industrial accidents. Contrariwise, during periods of full employment, working hours tend to be increased markedly on average, with chances rising, furthermore, for many workers to hold more than one job at a time. The result may well be a rise in fatigue for the average worker, with ensuing upward movement in accident frequency and severity rates.

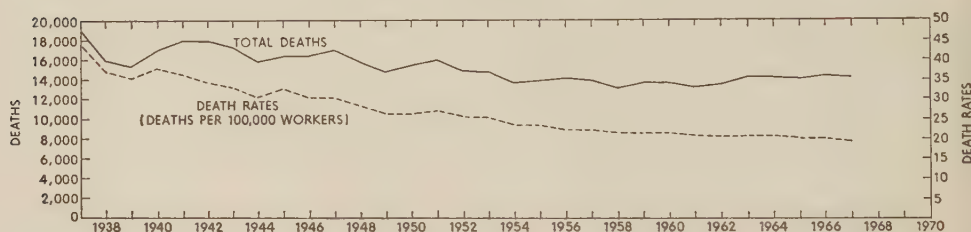
Still another explanation of the cyclical trends in accident rates may be the variation in the quality of placement and supervision. During periods when labor is in surplus supply, personnel departments can and may do a better job of placing workers with regard to their training level and/or their accident proneness. On the other hand, when labor is scarce, as in periods of full employment, personnel departments may be forced to place accident-prone workers in dangerous jobs and to take short cuts in the training or supervision of workers in general.

Experience indicates that frequency rates lend themselves to control

in part by the increased use of safety devices, safety programs, and good employee training. Severity rates are less susceptible to control and seem to be largely a matter of chance. Severity of injury is also closely related to the type of accident in question. For example, vehicle-caused accidents tend to result in more severe injuries than those caused by the handling of objects. Other factors involved may include the degree of training and experience of the work force on average as well as the average length of hours worked.

The trend in the number of fatalities has also been downward. Thus, while over 19,000 lives were claimed through industrial accidents in 1937 in the United States, the number of fatalities has tended to be closer to

Figure 10-2 Trends in industrial accident deaths



Source: National Safety Council, *Accident Facts* (Chicago, 1968).

14,200 in the years since 1964 (see Figure 10-2). While the absolute decline—about 25 percent—is not so impressive as the aforementioned decline in frequency and severity rates, it should be noted that the number of industrial employees greatly increased between 1940 and the 1960's. In relative terms, while almost 44 deaths were recorded per 100,000 workers in 1937, by 1967 only about 19 deaths were being recorded per 100,000 workers. Even the absolute number of deaths has fallen tremendously since 1913, when an estimated 25,000 deaths were in evidence for a much smaller work force than has characterized recent years. Furthermore, it is significant that as of 1967, only about 0.12 percent of the disabling injuries actually resulted in death.

In addition to the classification noted above, that of fatalities, industrial injuries are also classed as permanent total disabilities, permanent partial disabilities, temporary total disabilities, and temporary partial disabilities. These classifications are obviously arranged in descending order in so far as their seriousness is concerned. Further evidence of improvement in the elimination or mitigation of industrial accidents and injuries is the fact that through the years the most serious classification—permanent total disabilities—has lost ground in favor of the much less serious classification—temporary total disabilities. As a

result, in 1962, only 0.04 percent of the total disabling injuries in manufacturing were classed as permanent total disabilities, while 99.96 percent were classed as temporary total disabilities from which full recovery of the injured worker would normally be expected within a relatively short period of time.

Industrial Trends

A close analysis of major industrial categories as well as of specific industries discloses several significant and often unanticipated developments with respect to industrial accident experience. For example (see

Table 10-5 Accident records of industrial groups, 1964

<i>Major Industry Group</i>	<i>Number of Injuries 1964*</i>	<i>Number of Deaths 1964*</i>
U.S. totals	2,050,000	14,200
Manufacturing	429,000	n.a.
Trade	373,000	n.a.
Agriculture	270,000	n.a.
Contract construction	219,000	n.a.
Transportation & public utilities	196,000	n.a.
Mining	45,000	n.a.
Finance, service, government and miscellaneous	518,000	n.a.

* Preliminary figures.

Source: U.S. Department of Labor, *Monthly Labor Review*, April, 1965.

Tables 10-5 and 10-6), the industrial category of manufacturing accounted in 1964 for the greatest total of industrial injuries; but it ranked third with regard to fatalities, behind the categories of agriculture and contract construction. On the other hand, while mining accounted for only 45,000 injuries in 1964, this figure looms relatively high when it is taken into consideration that almost forty times as many persons are typically employed in manufacturing as in mining.

Industrial accident experience on the part of specific industries reveals that some industries which might be expected to have rather frequent accidents actually are low in so far as accident frequency rates are concerned. Thus, the ammunitions industry (see Table 10-7) had relatively low frequency rates among manufacturing industries in 1965. The steel industry also maintains an accident frequency rate which is consistently and markedly lower than the average for all industry. In 1965 the accident frequency rate in steel was only 5.3, while the same rate for all manufacturing industry averaged 12.8. A partial explanation of such

Table 10-6 Manufacturing industries with highest accident frequency rates in 1965

<i>Industry</i>	<i>1965</i>
Logging	55.8
Miscellaneous wood products	39.7
Meat products	38.4
Lumber and wood products	36.6
Saw mills and planing mills	35.9
Wood containers	35.5
Leather tanning	32.7
Structural clay products	32.2
Coating, engraving, and allied services	30.1
Concrete, gypsum, and plaster products	28.7
Average for all manufacturing	12.8

Source of data: Bureau of Labor Statistics, U.S. Department of Labor.

unanticipated records as those in explosives and steel may be the fact that when accidents do occur, they are apt to be severe as to consequence. Therefore, the typical firm in such industries probably places more emphasis upon safety programs than might be the case in "safer" industries. The severity rate in steel for 1965 was 2,008, as contrasted with 713 for manufacturing as a whole. It is also possible that the relatively "dangerous" industries may be more in the limelight of state safety codes as well as subject to closer surveillance by appropriate labor organizations than would be true of the "safer" industries.

Some studies have tended to show further that, perhaps contrary to expectations, frequency and severity rates are apt to be lower in the large

Table 10-7 Manufacturing industries with lowest accident frequency rates in 1965

<i>Industry</i>	<i>1965</i>
Plastics and synthetics	3.8
Aircraft and parts	3.6
Office, computing, and accounting equipment	3.5
Rubber footwear	3.5
Engineering and scientific instruments	2.9
Communication equipment	2.4
Ordnance and accessories	2.4
Small arms ammunition	2.1
Ammunition except for small arms	1.9
Sighting and fire control equipment	1.8
Average for all manufacturing	12.8

Source of data: Bureau of Labor Statistics, U.S. Department of Labor.

firm than in the small firm. Possible explanation for this may exist in the fact that the large firm may be able to do a better job in selection, placement, and training of workers due to the maintenance by such firms of specialized personnel departments. Perhaps the fact that the typical large firm is more apt to be unionized may have a bearing on the differential in frequency and severity rates. Since the large firm may be able to offer potential employees more in the way of short-run financial rewards as well as long-run security, such a firm can probably exercise more choice in the hiring process, whereas the small firm may have to be

Table 10-8 Industries with highest accident severity rates in 1965

<i>Industries</i>	<i>1965</i>
Nonmanufacturing:	
Asphalt and related	16,701*
Marine cargo handling	5,296
Highway and street construction	4,105
General contractors	3,710
Miscellaneous special trade contractors	3,501
Manufacturing:	
Logging	7,253
Saw- and planing mills	3,273
Lumber and wood products	3,131
Agricultural chemicals	2,963
Concrete brick and block	2,418

* For 1964.

Source of data: Bureau of Labor Statistics, U.S. Department of Labor.

content with the more marginal workers. The large firm would also typically have in operation a formal safety program, which may tend to reduce the rates in question; and finally, employees of the larger firms are probably enabled to specialize more and hence are less apt to be asked to perform dangerous operations which they normally do not perform than would be the case with employees of small firms.

In so far as accident severity rates are concerned, it is apparent (see Table 10-8) that some nonmanufacturing industries are worse offenders than the most dangerous manufacturing industries. Thus, if logging be omitted from the manufacturing industries with highest severity rates, several nonmanufacturing industries record higher severity rates than the topmost manufacturing industries. The fact that operations within a factory are more susceptible to human control than those connected with the extraction of natural resources, such as mining and oil drilling, is probably an important explanation of the severity rate differential. It should be noted that logging, the industry with the highest severity rate

in the manufacturing category, is, like mining and petroleum drilling, associated with work conditions less easily controlled by man and definitely of an extractive nature.

Some industries are found to have relatively high frequency rates combined with relatively low severity rates, as in the case of manufacturing. On the other hand, some industries with relatively low frequency rates may possess above-average severity rates, as in the case of the steel industry. Still other industries are found to have both relatively high frequency and relatively high severity rates, as is the case with the construction industry.

Costs of Industrial Accidents

Despite the marked reductions in accident frequency and severity rates during the past four decades, and despite the drop in the rate of fatalities, the total cost of industrial accidents is still impressive. As long as roughly 2 million persons are injured each year on the job, while 14,000 to 15,000 are losing their lives, the cost is of sufficient proportions to constitute cause for concern.

The cost of industrial accidents can be considered in different ways. Thus, there are direct costs and indirect costs. Direct costs of industrial accidents, which include wages lost, medical expense incurred, and the overhead cost of workmen's compensation insurance, were estimated by the National Safety Council to amount to about \$3.2 billion in the year 1967.¹¹ Indirect or less visible costs, which include the money value of damaged equipment and materials, production delays, and the time losses of other workers not directly involved in the accidents, were estimated by the same agency as being greater than the direct costs. The total cost of industrial accidents to the United States in 1967 was about \$7.3 billion. This amounted to about \$95 per worker and about 1.1 percent of the total national income. It should be noted, too, that the total cost cited above does not take into account the continuing costs for those who were victims of permanent partial and permanent total disabilities. Nor does the cost total take cognizance of the monetary loss to survivors resulting from the death of a head of family as a result of an industrial accident.

The cost of industrial accidents may be approached from another vantage point, that of the number of man-days lost as a result thereof. In 1967, for example, about 245 million man-days were lost as a result of industrial accidents. By way of contrast, the loss of man-days due to work stoppages resulting from strikes totaled slightly over 40 million. Records show that annually, all the way from two to ten times as many

¹¹ National Safety Council, *Accident Facts* (Chicago, 1968), p. 24.

man-days are lost due to industrial accidents as are lost due to strikes. It is probable that the loss of man-days attributable to industrial accidents would be second only to that caused by various types of involuntary unemployment in a year of recession. In years of high employment levels, and after making an allowance for so-called "normal" unemployment, the loss of man-days caused by industrial accidents would usually be first in importance.

While the costs to the industry and to society stemming from industrial accidents are extremely important, it should be recognized that the costs to the injured individual and/or his family are much more staggering. Ironically, too, industrial accidents tend to occur most frequently among relatively younger and lower paid members of the labor force, as was noted to be the case with employment insecurity. Hence, the vast majority of the victims of such economic insecurities are in a very poor position to shoulder the costs thereof. Despite the institutional arrangements for spreading a portion of such costs over a wider base, it is still probable that the major portion of industrial accident costs is borne by injured workers and their families.

Causes of Industrial Accidents

The basic cause for the intensification of the economic insecurity related to industrial accidents is the coming of industrialization, with its emphasis upon mechanized production under standardized speeds and other conditions of work. Contributing factors may consist, in the free enterprise economy, of the influence of the profit or income incentive and, in any type of economy, of the role played by human failures or carelessness.

In trying to seize upon specific causes for industrial accidents, some students of this problem have placed the blame largely upon the profit or income incentive, which is the alleged mainspring of a free enterprise economy. Thus, it is argued that the desire on the part of the employer for maximum short-run profits and the desire of the worker for maximum short-run pay—especially if he is on an incentive wage—tend to cause both parties to become careless with respect to accident prevention. Even though such carelessness may not be conducive to a maximization of profits or wages in the long run, both employer and employee, it is contended, are primarily short run as to their considerations with respect to industrial accidents. While many cases could probably be uncovered in which the profit or income incentive has been the indirect cause, at least, of industrial accidents, this explanation probably places too much emphasis upon the alleged short-run and monetary orientation of employer and employee attitudes. Industrial accidents also seem to constitute a problem in major communistic nations, where the profit or income

incentive, while not eliminated, has been minimized. It may also be pointed out that some of the most profitable firms have low frequency and severity rates.

Still other students of industrial accidents point to human carelessness and failures as the principal cause of such events. In this connection, it is often noted that casualty insurance companies report over 90 percent of industrial accidents as preventable had the individuals or firms in question operated in conjunction with approved safety practices. In this instance, too, however, human failures perhaps should be viewed more as a contributing factor rather than as a basic cause of industrial accidents.

Basically, it is the environment which is created by industrialization—that of indirect machine production—which makes possible the accidents which do occur. Within such an environment the desire for maximum short-run gains and the to-be-expected human failures contribute to the possibility and eventuality of industrial accidents. It should not be assumed, however, that all mechanization enhances the likelihood of accidents or that continued industrialization has to mean an expanding problem with such occurrences. Rather, many types of machines *reduce* industrial accidents by removing the individual from exposure to certain hazards which he formerly had to face.

In this connection, it is probable that the more automatic production machinery becomes, the less the chance for industrial accidents to occur. Thus, the decline in frequency and severity rates for industrial accidents which has been so marked since the 1920's may have been due, in part, to the trend toward ever more automatic operations. With the gradual upgrading of the labor force which this trend brings in its wake, fewer persons, relatively speaking, are going to be exposed to hazardous work conditions as the proportion of unskilled workers continues to shrink. It is highly probable that the incidence of industrial accidents tends to rise during the first phases of industrializing a nation, reaches a peak, and then begins to decline. In the United States, industrial accident frequency and severity rates tended to rise until the decade 1910–20, when probably the peak was attained. Since that decade the long-run trend, as noted before, has been downward. While the downward trend might have come, anyway, due to observations just made, it is possible that the trend may have been accentuated and accelerated by such factors as employer safety and personnel programs, governmental safety codes, the spread of collective bargaining, and the growing familiarity of the work force with mechanized production.

Discussion of industrial accident causes thus far has been in terms of basics and aggregates. In order to isolate more specific causes of particular industrial accidents, the several states and casualty insurance companies classify such causes and keep records of the frequency and severity of accidents attributable to each classification. The National Safety

Council also studies periodically specific causes and their relative importance.¹² In a survey of compensable work injuries in a sample of states for the year 1962, the Council noted that the five principal causes of all disabling injuries, in order of importance, were (1) handling objects; (2) falls; (3) struck by falling, moving objects; (4) machinery; and (5) vehicles.¹³ The main causes of fatalities and permanent total disabilities were ranked as follows: (1) vehicles; (2) falls; (3) handling objects; (4) struck by falling, moving objects; and (5) harmful substances. Chief causes of temporary total disabilities—the largest category—were (1) handling objects; (2) falls; (3) struck by falling, moving objects; (4) stepping on, striking against objects; and (5) vehicles.

Such a classification of industrial accident causes as noted above, when applied to particular industries and firms, can be of great help in the improvement of state safety codes as well as the safety and training programs of employing units. This approach ferrets out the principal causes of the most costly accidents and permits their eventual elimination or minimization.

EMPLOYEE INSECURITY AND OCCUPATIONAL DISEASE

Although the threat to the economic security of the worker stemming from occupational disease was also intensified by the industrialization process, recognition of this problem officially is of recent origin. That is, while European countries and the states of this nation were enacting legislation for the benefit of injured workers in the early years of this century, similar activity with respect to occupational disease did not come until the 1930's or later. Yet, in a sense, the chances of the industrial employee evading the threat to his security which is posed by occupational disease of various kinds may often be much more remote than his chances of avoiding industrial accidents.

Occupational Disease Defined

One of the major reasons for the tardy action of governmental agencies with respect to occupational disease is probably the difficulty experienced in the definition thereof. Technically, an occupational dis-

¹² The National Safety Council, chartered by act of Congress, is a noncommercial, nonprofit cooperative organization which attempts to aid its members in accident prevention. The Council also reports annually on the incidence and costs of all types of accidental injury and death. Since the firms reporting to the Council are relatively few in number—10,161 in 1967—and since they are probably more accident-prevention-conscious, frequency and severity rates published by the Council average considerably lower than those published by the Bureau of Labor Statistics for all industry in the economy. Some of the differential is undoubtedly due to efforts of the Council to improve industrial safety.

¹³ National Safety Council, *op. cit.*, p. 31.

ease may be defined as one which the employee acquires as a result of certain exposures at the workplace. Having defined it thus, however, the separation of occupational from non-occupational diseases emerges as an extremely difficult task which may, in fact, be virtually impossible on occasion. Thus, many diseases which are often acquired by industrial employees as a result of working conditions, materials, or processes might also have been acquired off the job due to similar exposures. Application of state laws affording some recompense to the victims of occupational ailments nonetheless necessitates that a line be drawn between off-the-job and on-the-job diseases.

Causes Classified

As in the case of industrial accidents, the causes of occupational disease may be discussed from a general and basic point of view or, on the other hand, from a more superficial and specific point of view. Basically, it has been the process of industrialization which has created the environmental conditions which contribute to the acquisition of given diseases. The introduction at varying intervals of new materials and new production processes as a nation industrializes and its industries mature must be accorded the basic responsibility for the emergence of occupational disease as a major problem. In recent years, for example, radiation hazards have occasioned much concern in this connection.

More specifically, major job groups have been drawn up with respect to disease hazards.¹⁴ Professors Daugherty and Parrish have referred to a ninefold classification in this instance. The categories utilized are as follows: dusty trades, poisonous trades, occupations producing germ diseases, occupations producing skin infections, occupations necessitating extremes in temperature, occupations requiring work in rarefied or compressed atmospheres, work done under improper lighting conditions, occupations requiring constant use of certain parts of the body, and processes which require artificial humidity. As a result of working conditions such as those just noted, state legislation recognizes and compensates for the acquisition on the part of employees of all the way from six stipulated diseases to an unspecified number.

Obviously, the work environment and the processes or materials involved are not the sole explanation for the incidence of specific diseases. Also involved, as in the case of industrial accidents, would be certain human lapses on the part of both employer and employee. Thus, the firm may neglect to establish necessary precautions and equipment for the minimization of disease acquisition. By the same token, the employee,

¹⁴ C. R. Daugherty and J. B. Parrish, *The Labor Problems of American Society* (Boston: Houghton Mifflin Co., 1952), pp. 182-84.

either through disobedience of plant regulations or through carelessness, may contribute to his own health insecurity. In general, however, occupational disease, like industrial accidents, represents a form of economic insecurity which has been placed relatively beyond the individual worker's control in the industrial society.

Costs

Little can be said of a precise nature concerning the costs of occupational disease. Because of the uncertainties surrounding the problem and because of its tardy recognition by the states, much less information is available on the costs of occupational disease than those of industrial accidents. It is reasonably certain that the costs involved here are sizable, both from the victimized individual's point of view and that of his family and from the point of view of the society as a whole. Studies by life insurance companies have on occasion disclosed that death rates due to illness of policyholders in the industrial worker category are as much as 50 percent higher than the death rates due to illness of all policyholders. Admittedly, some of the differential noted may be attributable to a greater incidence of off-the-job disease among working-class families due to less adequate diets and housing than may be the case among other policyholders. It is highly possible, however, that most of the death rate differential is the result of occupation-induced disease.¹⁵

SUMMARY

While the major threat to the economic security of the typical employee in the industrial nation exists in the form of the several causes of unemployment discussed in preceding chapters, it should be apparent that other important threats exist in the form of the aging process and certain occupational hazards. These latter enemies of economic security are understandably of great concern to the individuals and families directly affected. In the modern industrial society, however, concern has become societal in scope, due in part to the implications which these problems have for costs of production and the maximization of national output.

Concern for these causes of economic insecurity assumed national

¹⁵ It should be obvious that this chapter has arbitrarily omitted discussion of a major cause of economic insecurity, namely, injuries and diseases acquired off the job. This has been done because this book is concerned with economic problems and insecurities related to the impacts of industrialization upon the labor market. A study of *general* economic insecurities must be left to other books. Suffice it to note here that in 1967 about 101,600 accidental deaths occurred due to nonjob accidents, while about 9 million persons were injured in such accidents. Diseases acquired off the job also figure very high as a source of general economic insecurity.

proportions as methods of production were drastically altered through time by the process of industrialization. As in the case of the economic problem areas of wages, hours, and working conditions, this growing national concern may well have occurred because control by the individual and/or the family over the problems in question tended to become more remote as industrialization progressed and to be replaced by control by the larger production group or by the society as a whole. The institutional developments which resulted will be discussed at some length in later chapters of this book.

DISCUSSION QUESTIONS

1. Would you favor raising the normal retirement age to 68, or would you prefer to lower it to 62? Why?
2. Discuss various reasons for the growing relative size of the 65-and-older segment of the population.
3. What developments in the future could work either to increase or to decrease retirement expectancy on average in this nation?
4. Assuming this to be desirable, for the sake of discussion, how could the society increase the employment of persons aged 65 and over?
5. Discuss the economic and psychological "sacrifices" posed by the involuntary retirement of older persons. How do these compare with the economic costs to society of keeping older persons on the job?
6. It has been asserted by some writers that the drop in labor force participation rates of persons aged 65 or over is an indication of the growing affluence of this group. Comment.
7. Summarize reasons why the private employer will continue automatically to retire persons as of a given age during most "normal" years.
8. Analyze the *real* causes of old-age dependency in this nation.
9. Which is the more important indicator of industrial accident trends in your opinion—frequency or severity rates? Why?
10. Comment on all possible factors which have led to the decline in both frequency and severity rates since World War I.
11. Why should accident frequency *rates* vary directly with the level of employment over the course of the business cycle?
12. Explain the relatively lower frequency and severity rates found with respect to industrial accidents in larger firms as opposed to smaller firms, on average.
13. Summarize direct and indirect costs to employees, employers, and the economy as a whole related to industrial accidents.
14. Discuss the basic causes of economic insecurity associated with industrial accidents.
15. Why might occupational diseases be termed a more serious threat to employees' economic security than occupational accidents?

SELECTED READINGS

- BOND, F. A.; BABER, R. E.; VIEG, J. A.; PERRY, L. B.; SCAFF, A. H.; and LEE, L. J. *Our Needy Aged*. New York: Henry Holt & Co., Inc., 1954.
- CORSON, JOHN J., and McCONNELL, JOHN W. *Economic Needs of Older People*. New York: Twentieth Century Fund, 1956.
- GORDON, MARGARET S. *Aging and Income Security*. Reprint No. 143. Berkeley: Institute of Industrial Relations, University of California, 1960.
- HABER, WILLIAM, and COHEN, WILBUR. *Social Security: Programs, Problems, and Policies*. Homewood, Ill.: Richard D. Irwin, Inc., 1960.
- TURNBULL, J. G.; WILLIAMS, C. A.; and CHEIT, E. F. *Economic and Social Security*. 3d ed.; New York: Ronald Press Co., 1967.
- WOYTINSKY, W. S., and ASSOCIATES. *Employment and Wages in the United States*. New York: Twentieth Century Fund, 1953.

Resulting Institutional Developments

In Part III, cognizance is taken of the resulting institutional developments within the industrial society which stem from the labor market problems and insecurities discussed in Part II. As a general introduction to this section, Chapter 11 discusses and analyzes some of the dominant theories of labor movements which have been advanced from time to time. Following this, Chapters 12, 13, and 14 trace the growth of the labor union movement of the United States, note some of its structural aspects, and investigate the parallel growth of the employer bargaining association movement in this country.

Chapter 15 continues Part III by a detailed analysis of the internal activities of labor and management organizational entities of the United States. Internal activities refer to those carried on by both groups in the process of collective bargaining itself, i.e., within the labor/management family, so to speak. Finally, Chapter 16 takes up some of the most pressing problems related to industrial government, such as the issue of union bargaining rights versus managerial prerogatives, a problem of institutional insecurity.

Thus, the institutional developments within the labor market of the industrial nation are considered in Part III in the context of having been activated and/or motivated by the economic impacts of industrialization upon the labor market.

THEORY OF LABOR MOVEMENTS

As has been noted in an earlier chapter, the peculiar impacts of industrialization upon the economy, and especially upon its labor markets, have created an environment giving rise to the development of certain institutions which are commonly associated with the industrial nation. One of these institutions, a highly important one, is that of the so-called "labor movement." The use of the term *movement* in connection with the development of labor organizations is probably unfortunate, since it implies much more unanimity of purpose and a great deal more cohesiveness among organizations of labor than can be discovered upon close analysis. However, since the term *labor movement* has come to be used so universally in designating the array of labor organizations found in the industrial society, it will so be utilized in this chapter.

While the origin of labor movements has been accounted for prior to this chapter in a general sense, it is the task of this chapter to examine specific theoretical explanations of this phenomenon which have been enunciated and to attempt an overall synthesis of such explanations. The first portion of the chapter, therefore, will deal with labor movement theories with origins in England and Europe. Theories which were advanced in the United States will then be treated briefly, followed by an attempt at synthesis.

Before starting the discussion of labor movement theories, it should be noted that not all theorists have attempted to do the same thing. For example, some have attempted to explain the *origin* of labor unions, some have tried to theorize concerning the *behavior* of labor unions, others have tried to account for the *ideological orientation* of labor unions, and still others have tried to explain the *consequences* of labor unions and their activities. As a result, it should not be thought that all of the theories herein presented are comparable, since they are, in reality, dissimilar entities. Some attempt will be made at the close of the chapter to differentiate theories as to point of departure and as to the overall goal.

ENGLISH AND EUROPEAN LABOR THEORISTS

Adam Smith

While Adam Smith can scarcely be said to have articulated a labor movement theory, nevertheless his latter-eighteenth-century observation and discussion of embryonic workers' associations are of great interest since, in a sense, he anticipates some of the principal theoretical tenets which were subsequently developed in the 19th century. Smith was equally cognizant of the associations of employers which were also in the very early stage of development in the 18th century.

Apropos of the development of 18th-century workers' associations, which were not to be called trade unions or labor unions until some time in the 19th century, Adam Smith noted that since workmen desire to get as much and masters to pay as little as possible with respect to wages, both groups tend to organize in order better to advance their respective points of view.¹ Thus, workmen were pictured as combining to raise wages, while masters took similar steps to lower or maintain them. Workers' associations were viewed by Smith as being usually *defensive* rather than *offensive* relative to masters' combinations. The latter were noted by Smith as being "always and everywhere" present—if not in a formal sense, at least in the sense that masters were constantly and tacitly committed not to raise wages. Often, however, masters' associations were formally drawn to take the offensive in lowering wage rates.

Workers' combinations were assessed by Smith as being more violent and aggressive than those of the masters because the economic endurance of the workers is always inferior to that of the masters. Hence, workers' combinations must try to force the masters' early capitulation before the hunger of the workers makes prolongation of a strike an impossibility. "They are desperate, and act with the folly and extravagance of desperate men, who must either starve, or frighten their masters into an immediate compliance with their demands."²

Usually, noted Smith, the "aggressive and extravagant" action of workers' associations ended in no economic gain for the group but, rather, in punishment and/or the total ruin of the "ringleaders."

It is apparent that Smith's interpretation of the infantile labor movement as it existed in England as of the 1770's was exclusively an economic interpretation. In his judgment, laborers were led to combine for only one reason: to so bolster their economic bargaining power as to

¹ Adam Smith, *Wealth of Nations* (Modern Library; New York: Random House, 1937), pp. 66–67.

² *Ibid.*

realize short-run improvements in their economic status. No attention is given by Smith to the possible desires of the workers for enhanced social or political status. Possible psychological bases for unionism are also overlooked. Noteworthy, too, is the disinclination on Smith's part to see any revolutionary, long-run goals either as a motivational factor or as a consequence of labor combination.

Karl Marx

Writing nearly three quarters of a century after Adam Smith's *Wealth of Nations*, Karl Marx, a German by birth but writing in England, advanced a theory of the labor movement worlds apart from Smith's statement. As noted in the Communist Manifesto of 1848, key concepts in Marx's theory are class struggle and the inevitable demise of capitalism.³ The labor union movement was seen by Marx as the huge international collectivistic movement which would serve as the principal medium for bringing an end to class struggle via the elimination of the private entrepreneur and the establishment of the socialistic state. The labor union movement was described as having both short-run and long-run goals, with the latter being by far the more important. In the short run, the organization of labor was pictured by Marx as striving to eliminate intra-working-class competition with its ruinous effects upon wage rates. In the long run, however, the labor union movement would serve to organize, discipline, and unite the workers of the industrial society to the extent that the socialistic state would become a reality. Since the socialistic state would not be characterized by classes and class struggles, the labor union movement would tend to wither away, since it would have served its long-run purpose once the proletariat had become their own employers. Labor unions were not considered as objectives in and of themselves for which the working class was striving; rather, they were merely the means to an end—the victory of the proletariat over the employing group. This tends to explain why true Marxists have always been rather contemptuous of the more pragmatic activities of so-called "bread-and-butter unionism," since they were ever fearful that such mundane and short-run goals might divert labor from its more important long-run objective, as they saw it.

Basic to Marx's theory of labor movements was the labor theory of value, which he inherited from earlier economists and which held the exchange value of a commodity to be determined by the value of the labor going into its production. Marx, noting that labor was always given a monetary return which was less than the market value of its produce,

³ Karl Marx, *The Communist Manifesto* (New York: D. Appleton-Century-Crofts Co., 1955).

concluded that this could only occur because the *bourgeoisie* or employing class was exploiting labor and seizing the difference between the workers' remuneration and the market value of commodities in the form of entrepreneurial profits—profits which were considered unearned by Marx and actually a confiscated portion of labor's earnings. But the bourgeoisie, Marx pointed out, by so exploiting labor, keeping it low-paid, and bringing about its unemployment, would, in a sense, merely produce the "gravediggers" of the employing classes in the form of at first slowly but later rapidly growing labor union movements.

Statements by Marx in the Manifesto of 1848 which are characteristic of his theory of labor movements include the following:

The growing competition among the bourgeois, and the resulting commercial crises, make the wages of the workers ever more fluctuating. . . . Thereupon the workers begin to form combinations (trade unions) against the bourgeois; they club together in order to keep up the rate of wages. . . . Here and there the contest breaks out into riots.

This organization of the proletarians into a class, and consequently into a political party, is continually being upset again by the competition between the workers themselves. But it ever rises up again, stronger, firmer, mightier.

What the bourgeoisie therefore produces, above all, are its own gravediggers. . . . Its fall and the victory of the proletariat are equally inevitable.⁴

Marx changed his theory of labor movements somewhat during his later years. Whereas, in the 1840's, he foresaw the violent and revolutionary overthrow of the bourgeoisie by organized labor, in later years he became convinced that the inevitable change would be more gradual or evolutionary in nature. In this connection, Marx thought that the formation of labor political parties, with consequent legislative innovations, would be a factor in effecting the evolutionary change from capitalism to socialism. Despite this modification of his theory, however, Marx remained convinced that the labor movement would constitute the principal medium bringing about the formation of the socialistic state.

While the Marxian theory and Adam Smith's explanation of the labor movement are radically different in many aspects, they are alike in that they both stress the economic motivation behind the labor movement, although the Marxian theory may be seen as implying, at least, that more is at stake than simply the short-run economic status of the working class.

Lasalle, Sorel, and Lenin

Marxian counterparts have appeared as theorists in most industrial nations at various times. Like Marx, these socialist theoreticians have

⁴ Howard S. Patterson, *Readings in the History of Economic Thought* (New York: McGraw-Hill Book Co., Inc., 1932), pp. 617 and 620.

usually explained unionism as a temporary revolutionary institution whose principal function is that of contributing to the radical alteration or, more often, the complete overthrow of the status quo. Prominent among such writers in the latter half of the 19th century were Ferdinand Lasalle of Germany and Georges Sorel of France. Nikolai Lenin of Russia furnished similar leadership during the first quarter of the 20th century.

Lasalle, dynamic socialist and intellectual in Germany, notably in the late 1850's and early 1860's, explained trade unionism as a necessary institution for marshaling the forces of workingmen as long as the bourgeoisie controlled society. Lasalle was convinced that political action by labor was an essential step toward the classless, socialistic state which he favored. Economic activities of labor unions which centered on achieving short-run tangible gains for members were contemptuously condemned by Lasalle as retarding the movement away from capitalism. Further, he asserted that such short-run efforts were doomed to failure by the "iron law of wages."⁵

Sorel, French socialistic writer, saw unionism functioning to rejuvenate society from its middle-class decay. Sorel was convinced that society had lost its heroic virtues largely as a result of the middle-class mercantile nature which industrialization had forced upon it. As a result, the trade union movement, through the use of violent means such as the general strike and sabotage, was counted upon by Sorel to revitalize society.

Nikolai Lenin, ardent Russian socialist leader of the late 19th and early 20th century, also pictured the labor union movement as an institution whose main function was that of unifying the working class and thus promoting the struggle for socialism. Lenin left no doubt as to his views concerning the proper status of unionism in society: It was definitely placed by him in a subordinate position to both the state and the party.⁶ Trade unions, as a matter of fact, were classed by Lenin as being *agents* of the party and, as such, providing the necessary "schools of communism" which would eventually bring the entire working class into the fold. Although Lenin felt that the party would be and should be superior to the labor movement, it is significant that he advocated a maximum use of *persuasion* by the party in securing the labor movement's cooperation, with *coercion* to be used only when necessary to supplement persuasion. Lenin forecast that with the passage of time and the maturation of the working class, persuasion would be increasingly sufficient, while coercion would be decreasingly necessary to insure the cooperation of the working class.

⁵ The "iron law of wages" was the idiomatic designation of the subsistence theory of wages, which has been discussed in Chapter 3.

⁶ Walter A. Galenson (ed.), *Comparative Labor Movements* (New York: Prentice-Hall, Inc., 1952), chap. vii, pp. 512-18.

It is important to note that writers such as Marx, Lasalle, Sorel, and Lenin—and there have been numerous other socialistic writers to be found at various times in the industrial economies—were agreed on the general principle that the primary reason for the emerging of labor movements in each of the industrial societies was the class struggle, which could only be resolved by the elimination of the employer class by the organized working class and the resultant and ultimate development of the classless socialistic state. Most of these writers were middle-class intellectuals as to background and, perhaps largely because of this background, were distinctly out of sympathy with “bread-and-butter unionism,” which, in their view, became bogged down with short-run pragmatic goals of little real consequence for socialism. Such activities, it was alleged, could only serve to divert the labor movement from what the intellectuals thought was its real purpose. By the same token, most such writers, wherever found, have categorized labor movements as temporary institutions which would no longer have a function to perform once the classless state had been established. The exception to this rule, of course, was the view espoused by Lenin and others which retained the labor movement even after emergence of the socialistic state as an agent or liaison between state and party on the one hand and the working class on the other. In this role, however, Lenin and others did not see labor organizations functioning as free bargaining agents, but rather as controlled agents of the system to insure the discipline and productive efficiency of the working class. It is significant that in this sense the labor movement was no longer viewed as representing the employees but, rather, the employing agency, namely, the state and party. The rationale for this position, of course, was the idea that once socialism has been established, the class struggle ceases, and the working class becomes its own employer, thus no longer needing protection from exploitation. Management of state enterprise would be entrusted to highly trained individuals who, not being profit-motivated nor employed by profit-maximizing entities, would direct the enterprise in the best interest of the state and, thus, in the interest of all, including the workers.

The Webbs

In all probability, Sidney and Beatrice Webb, founders of the Fabian Society of England,⁷ wielded more theoretical influence in most industrial nations than any other European or English theoreticians in the

⁷ The Fabian Society, formed in 1883–84 in England, is the segment of the socialistic movement which advocates the evolutionary and peaceful attainment of socialism as opposed to its revolutionary birth. Furthermore, socialism is moderately defined by the Fabians as state ownership of *major* instruments or agencies of production.

labor movement area of investigation. Called the theory of *industrial democracy*, the Webbs' theory held the labor movement to be both political and economic in orientation.⁸ Politically, the Webbs saw the labor movement extending the principle of representative democratic government from the political sphere to that of industry. In this connection the Webbs noted: "The democratic ideal which rules in politics has no less penetrated into industry. . . . Henceforward, employers and their workmen must meet as equals. . . . The agitation for freedom of combination and factory legislation has been, in reality, a demand for a 'constitution' in the industrial realm."⁹

Economically, the Webbs beheld the labor movement as operating to "take the worker out of competition" and thus to eliminate the servile condition to which the free labor market and the inadequacy of individual worker bargaining power allegedly reduced the industrial worker. Principal devices which the labor movement would utilize in attaining its economic goals, according to the Webbs, were those of the *restriction of numbers* (control of labor supply) and the *common rule* (the union wage scale). The first device was recognized by the Webbs as being essentially monopolistic and hence undesirable. With the passage of time, however, they contended that this device would pass into disuse, since it was especially advantageous to craft unions. As labor organizations tend to become less craft and more industrial or general in nature—a logical development, in the view of the Webbs—the device of restriction of numbers would have less appeal.

The Webbs accepted the Marxian idea of the separation of classes as the basis for class struggle and conflict, but they disagreed with Marx on two important counts. First, they were convinced that the class struggle did not have to end in the elimination of one of the classes by the other; and secondly, they were of the opinion that the labor movement was not a temporary or transitional institution. Furthermore, while, as Fabians, the Webbs favored the socialization of *major* industry, they were convinced that private and state-owned industry could exist side by side.

In the theory of the labor movement as advanced by the Webbs, the class conflict could be and would be resolved through the equalization of bargaining power possessed by the employer and the employed. This equalization, necessary because labor was inferior to the employer in bargaining power due alike to labor's lack of mobility and the growth of the size of the employing unit, would be achieved by the replacement of individual bargaining with collective bargaining. In summary, then, the real explanation of the labor movement, according to the Webbs, was the

⁸ Sidney and Beatrice Webb, *Industrial Democracy* (New York: Longmans, Green & Co., Inc., 1920).

⁹ *Ibid.*, p. 841.

desire on the part of working-class members for an elevation in their economic and political status within industry. A further implication was that as long as such a society (industrial, democratic, and capitalistic) exists, some form of labor movement will be considered essential—at least by the working-class segment of such a society. “If the democratic state is to attain its fullest and finest development, it is essential that the actual needs and desires of the human agents concerned should be the main considerations in determining the conditions of employment. Here, then, we find the special function of the Trade Union in the administration of industry.”¹⁰

George D. H. Cole

Another English Fabian, George D. H. Cole, advanced still another theory of the labor movement in the early portion of the twentieth century.¹¹ Cole’s theory, known as the “union control of industry” theory, postulated the idea that the ultimate destiny of the labor movement was the control of industry in *partnership* with the socialistic state. Cole placed the labor movement under socialism in a role which was neither subordinate nor superior to that of the state but relatively on the same level. The principal means to the ultimate ends of the labor movement was pictured by Cole as being industrial unionism, since this form of organization was held by him to be more consistent with a *class* movement involved in a class struggle than was craft unionism, which tends to divide the class rather than to unite it.

Cole was highly pessimistic about the future of political action on the part of the labor movement. He even went so far as to predict that England’s Labour Party, then 13 years old, would never govern and, further, that it would not know how to govern if it should accidentally be given the opportunity. While Cole did see eventual control of industry by the labor movement in partnership with the state, he was firmly convinced that “the direct control of the whole national life is most emphatically not for them.”¹² Such control was reserved by him for the state.

Summary

In reviewing the 19th-century English and European theories discussed in the foregoing pages, it is apparent that they all postulated for

¹⁰ *Ibid.*, p. 821.

¹¹ George D. H. Cole, *The World of Labour* (London: George Bell & Sons, Ltd., 1913).

¹² *Ibid.*, p. 378.

the labor movements in question a highly important role.¹³ This role ranged all the way from the revolutionary and idealistic role ascribed to it by Marx and his closest followers to the more pragmatic and conservative role envisioned by the Webbs. It is significant, too, that the institution of the labor movement was held as being of temporary use and importance by the Marxians, while others, including the Webbs, saw a seemingly permanent existence for the institution. All theorists recognized the labor movement as a result of and being involved in the class struggle, but they varied greatly in their views concerning the eventual outcome of this struggle, with the Marxian socialists predicting the inevitable elimination of the employing class, while the Fabians, with the Webbs as their principal spokesmen, envisioned the struggle as eventually being resolved through collective bargaining between functionally equal parties in a democratic form of industrial government. All of the theorists related the emergence of the labor movement to the lowly economic status and power of the industrial worker but tended to devote little or no attention to sociological, psychological, and political aspects of the phenomenon. The Marxian theorists evinced varying degrees of contempt for short-run pragmatic activities of labor organizations in the realm of collective bargaining, while the Webbs and their followers emphasized such activities as the primary purpose of labor movements. Finally, all of the theorists noted herein possessed a socialistic bent, but they varied considerably as to methods for achieving socialism as well as in the degree of socialism which they advocated. The Marxians originally looked for the attainment of an all-embracing socialistic state via violent and revolutionary methods, while the Fabians predicted the evolutionary and peaceful attainment of the mixed economy with private and state industry existing as contemporaries.

LABOR THEORISTS OF THE UNITED STATES

Although there were earlier theorists who attempted to explain the labor movement phenomenon, the theorists who made the biggest impact in the United States did most of their writing between 1917 and 1928. There has been a dearth of such theorizing since the latter year. Perhaps one explanation for this is the fact that while the labor movement of this country was second only to that of England chronologically, it was not until the World War I period that it attained a degree of size and influence which warranted intensive study and discussion. Attention will be centered here principally upon four stalwart theorists—Hoxie, Commons, Tannenbaum, and Perlman—with a brief mention as well of other writers who have achieved some stature in this area of investigation.

¹³ This summary is limited to 19th-century theorists, because Adam Smith did not really develop a theory as such.

Robert F. Hoxie

Professor Hoxie, writing in the midst of the World War I boom in union membership in this country, rejected a single or "monistic" explanation of the labor movement.¹⁴ Labor unions could only be explained, in the opinion of Hoxie, in terms of their predominant and self-assumed function. Thus, he proceeded to classify unionism in this country from a functional standpoint and came to the conclusion that five principal classes of unionism existed: business unionism, uplift unionism, revolutionary unionism, predatory unionism, and dependent unionism. *Business unionism*, which Hoxie found to be by far the most common form in this country, is unionism which is more trade-conscious than class-conscious. Relatively conservative in orientation, business unionism is content to work within the framework of free enterprise capitalism to try to improve the economic status of the employee. Hence, a favorable labor agreement or contract is the principal goal of business unionism. The American Federation of Labor has often been said to have been the first major proponent of business unionism in the United States, establishing it during the 1880's and maintaining it to this day.

Uplift unionism, according to Hoxie, is unionism which possesses a very idealistic point of view and is intent upon raising the cultural level of its membership as well as its economic status. Thus, uplift unionism emphasizes membership welfare, educational, and recreational programs, in addition to collective bargaining. The International Ladies Garment Workers Union has always been a prime illustration of this functional class of unionism with its highly developed night school and its ambitious recreational program.

Revolutionary unionism is that type which is relatively radical with respect to both aims and methods. Long-run ideological goals are stressed, in contrast to the short-run pragmatic goals of business unionism. A major goal is usually the overthrow of the existing economic and political system. The Industrial Workers of the World, during their brief period of operation between 1905 and 1920, has often been cited as an illustration of revolutionary unionism, although the organization may have been less revolutionary than its enemies supposed. Such unionism was found by Hoxie to have had little appeal to most workers in this country, although he was of the opinion that revolutionary unionism would grow if unrestricted immigration should continue to prevail. At its peak membership, the IWW has been variously estimated as having perhaps from 25,000 to 50,000 members, at a time when total union

¹⁴ Robert F. Hoxie, *Trade Unionism in the United States* (New York: D. Appleton & Co., 1917), pp. xi-xxi.

membership in this nation was between 4 and 5 million. Low-paid migratory farm workers, loggers, and miners were the principal IWW followers.

Predatory unionism was classed by Hoxie as unionism which is of a racketeering nature and in which the leadership preys upon the membership rather than representing them in a bona fide fashion. On occasion, such leadership may form an alliance with unethical employers, with the result that both then are able to victimize the union membership and the consuming public as well. Predatory unionism frequently has been found to sell "protection" to the employer and to make use of bribery in accomplishing its ends.

Dependent unionism was described by Hoxie as unionism which is dependent upon the employer for its initiation, its meeting place, and its funds, and, ultimately, for the topics upon which it will be permitted to bargain collectively. In other words, the narrowest form of company union would be illustrative of this functional classification. The principal function of this class of unionism is usually that of preventing an outside union from organizing the firm's employees and, thereby, retaining a maximum amount of prerogatives for the management of the firm. This form of unionism flourished in the United States, especially during the 1920's and early 1930's, but was made illegal by legislation enacted at the federal level in 1932 and 1935.¹⁵

Hoxie recognized that there were no unions which could be classed exclusively as one of the above types of unionism. All unions are mixtures, on occasion, of several or all of the above classifications. Hoxie noted, however, that the predominant function of the organization in question determines the classification it best fits. It is especially noteworthy to observe that business unionism, which is still the most common form to be found in the United States, has in general taken on many of the characteristics of uplift unionism, and vice versa. As a result of congressional investigations of certain unions in 1958-59, it is also apparent that business unionism may—temporarily, at least—assume some of the undesirable and illegal attributes of predatory unionism.

Thus, Hoxie's theory of unionism attempted to explain all types, with the particular explanation of a given instance of unionism being dependent upon the predominant role or function envisaged for the organization by its membership and leadership. Hoxie was convinced that unionism was essentially pragmatic and nonrevolutionary by nature. His writing seems to imply a hope on his part, however, that unionism would become somewhat more revolutionary in nature rather than more conservative.

¹⁵ For all intents and purposes, three of Hoxie's classifications are illegal under federal law today. Revolutionary unionism, predatory unionism, and dependent unionism are either prohibited or discouraged by current legislation. Thus, only business unionism and uplift unionism remain legally accepted functional forms.

Although Hoxie is best known for his functional classification of unions, he has also been cited infrequently for his analysis and classification of union membership. Union members were divided by Hoxie into three groups: (1) *the leaders*, of whom he was doubtful, since he suspected their motives and deplored the oligarchy seemingly essential for their success; (2) the *satisfied rank and file*, consisting of the relatively conservative members who support the current leadership; and (3) the *dissatisfied rank and file*, made up of relatively radical individuals in the union who are in opposition to the current leadership. Hoxie concluded that most unionists usually appear to be within the conservative, satisfied category, with leadership relatively unchallenged. Hoxie's investigations of labor organizations caused him to be disappointed with the degree of democracy found within their confines.

John R. Commons

Professor Commons, who was professor of political economy at the University of Wisconsin from 1904 to 1932, and who engaged in a seemingly tireless study of the labor movement, wrote widely in the area of labor history in the United States.¹⁶ In addition, he devoted much time to influencing and administering social security and other labor legislation at both the state and the national levels. Commons was convinced that the labor movement was a facet of the class struggle but that—in the United States, at least—unionism was mainly nonrevolutionary in orientation. Commons theorized that a given nation's labor movement is shaped by the peculiar economic, political, social, and geographic environment in which the movement originates and develops. Thus, the slowness of the labor movement in this country to develop and the peculiar characteristics which it acquired were attributed by Commons to six key environmental factors as found in the United States. The first of these factors, *free land*, was pictured by Commons as definitely slowing down the growth of a labor movement because it provided an escape for the disgruntled city worker which was not so available in the case of English or European workers. The second environmental factor, *early attainment of universal male suffrage*, on which the first factor, free land, was dependent, also operated to slow the development of worker organization since, in addition to the alternatives of free land and organization, the disgruntled male worker in this country possessed, after the 1820's, the alternative of political action, again an alternative not available to English or European workers until a much later date.

The third environmental factor cited by Commons, *rapid expansion of markets*, was conducive to worker organization, since it produced the

¹⁶ John R. Commons and Associates, *History of Labour in the United States* (2 vols.; New York: Macmillan Co., 1918).

financier and the merchant-capitalist functionaries who, by driving tough wage bargains, exerted tremendous downward pressure upon wages and working conditions. Thus, the union movement grew rapidly after the Civil War when market expansion was accelerated. *Complex federal form of government*, Commons' fourth factor, was seen as accounting both for the great reliance of the labor movement in this country upon economic action as opposed to political action as well as the suspicious and negative attitude bred in unionists of this country toward political institutions. The complexity of federal government was not only apparent in the division of power among the three governmental departments (executive, legislative, and judicial), but also in the diffusion of power as between the federal and state spheres of government. Unionism at an early date in this country learned the frustration born of adverse (anti-union) decisions of the judiciary in its interpretations of seemingly favorable (prounion) enactments by the legislative branch of federal or state jurisdictions. Similarly, unions early experienced in this country the hollow victory flowing from a relatively favorable state law which was later held to be unconstitutional by the federal Supreme Court. Commons was convinced that it was just such experiences by unionism under the complex government of the United States which caused the union movement to emphasize increasingly economic action and to place decreasing reliance upon political activity, at least until the 1930's.

Two other environmental factors accounting for the nature of the labor movement of this nation were noted by Commons as *immigration* and *business cycles*. The immigration factor tended to produce a culturally divided working class, a fact which militated against its early organization; while the factor of business cycles was responsible for the growth of union membership by spurts during prosperity periods, followed by drastic membership declines during depression years.

Commons' studies produced evidence which indicated to him that unionism had preceded industrialization in this country, as workers during the 18th century often reacted organizationally to pressures upon wages exerted by the merchant-capitalist class. Thus, Commons concluded that the emergence of a labor movement is not dependent upon industrialization. Others would argue that while worker organization may not be dependent upon industrialization, certainly labor unions and collective bargaining as they have been known for the last half century have been a product of the industrialization process.

In opposition to the Marxian theory, Commons was of the opinion that labor unions in this country were nonclass-conscious in nature: "Its (the wage earning class) union is not 'class conscious' in the revolutionary sense of socialism, but 'wage-conscious' in the sense of separation from, but partnership with, the employing class."¹⁷

¹⁷ *Ibid.*, Vol. I, p. 15.

Frank Tannenbaum

Tannenbaum, a native of Austria who emigrated to this country in 1905 at the age of 12, devised a theory of the labor movement which was psychologically as well as economically oriented. His theory was first introduced in a 1921 publication, with a much later revision thereof in a 1951 work.¹⁸ His initial volume theorized that industrial workers, feeling degraded and insecure because of the factory system with its emphasis on indirect production, become overwhelmed with the sense of their own helplessness as individuals left to their own in the labor market. The workers in such a labor market sense further that their decision-making power has been all but eliminated. As a result, trade unionism is devised to satisfy the desire of workers to "belong" to something and to increase their control over the labor market so as to achieve a minimization of competition as well as a maximization of economic security—desires which are not unlike those possessed by the employer. Tannenbaum saw unionism first protecting its members from the market by restoring to them some decision-making power. Later, as unionism matures, it serves to protect the workers from the dehumanizing effects of the machine. In other words, labor soon discovers that the machine process and the social wealth produced thereby are controlled by the business community, so labor is driven to organization in self-defense. Unionism allegedly enhances the security of workers by enlarging their decision-making power, while at the same time it affects negatively the security of the employer by detracting from his decision-making power. Thus, Tannenbaum was of the opinion in 1921 that the social consequences of unionism *could* be revolutionary, and he saw the ultimate triumph of unionism over capitalism, with the former ultimately taking over control of industry and operating it without hindrance from the *rentiers* and the middlemen.

In his 1951 publication, Tannenbaum abandoned the idea that unionism was revolutionary in effect and declared instead that unionism was the conservative counterrevolutionary agency of the modern industrial economy. As such, he noted that unionism would return society from the consequences of "contract" to an emphasis upon status. Unionism was considered a conservative counterrevolutionary agency because of its concern for pragmatic short-run goals such as organizing the unorganized, and improving wages, hours, and working conditions. Unionism in the United States, Tannenbaum concluded, had rejected most of the political and economic ideas of revolutionary labor groups in Europe and

¹⁸ Frank Tannenbaum, *The Labor Movement: Its Conservative Functions and Social Consequences* (New York: G. P. Putnam's Sons, 1921); and *idem*, *A Philosophy of Labor* (New York: Alfred A. Knopf, Inc., 1951).

had become a "complete repudiation of Marxism."¹⁹ He further concluded that unions, upon reaching maturity, would accept their responsibilities toward the industrial society as well as their prerogatives: "Experience and time will teach and discipline the trade union movement and it will ultimately develop a tradition and unwritten law that will describe its responsibilities as well as its prerogatives."²⁰

Tannenbaum concluded his 1951 volume with the assertion that the trade union is the preferred alternative to the authoritarian state, and he predicted that: "The corporation and the union will ultimately merge in common ownership and cease to be a house divided. It is only thus that a common identity may once again come to rule the lives of men and endow each one with rights and duties recognized by all."²¹

The psychological basis for unionism is apparent throughout both the earlier and the later writings of Tannenbaum, as he sees unionism offsetting the working class's inferiority complex induced by industrialization. Thus, he notes in 1951 that: "The trade union saved the worker his initiative and gave him an opportunity to act as a moral person. He was a man once again, not just a cog in a machine, and not just a 'hand' to be discarded and abandoned."²²

Selig Perlman

Professor Perlman, who was associated for many years with John R. Commons at the University of Wisconsin, was born in czarist Russia in 1888, emigrating to this country in 1908. While working with Professor Commons, Perlman resolved to "devise a general theory of the labor movement . . . which will apply to all areas and times."²³ The resulting theory, known as the *job-consciousness* or *scarcity-consciousness* theory, has probably been more widely accepted than any other labor movement theory which has emerged in this country.

Perlman observed that three basic factors are highly important in the development of any given labor movement: (1) the resistance power of capitalism, (2) the degree of dominance over the labor movement by the intellectual's "mentality," and (3) the degree of maturity which characterizes the trade union mentality.²⁴ The *resistance power of capitalism* refers to the demonstrated capacity—or, perhaps, incapacity—of the capitalist employer group to maintain itself as the ruling group and to

¹⁹ Tannenbaum, *A Philosophy of Labor*, p. 3.

²⁰ *Ibid.*, p. 71.

²¹ *Ibid.*, p. 199.

²² *Ibid.*, p. 78.

²³ Selig Perlman, *A Theory of the Labor Movement* (New York: Macmillan Co., 1928).

²⁴ *Ibid.*, p. x.

survive the revolutionary attacks of opposing groups. This staying power of the capitalist group is conditioned by the degree of alertness possessed by it in a given time and place. Its resistance is also enhanced wherever the major portion of society, and especially the manual workers thereof, accept the basic principles of capitalism, such as private property and initiative.

The second basic factor, the *intellectual's mentality*, was used by Perlman to designate the ability or the lack of ability on the part of idealistic intellectuals to influence or dominate the labor movement. Where this dominance is prevalent, the labor movement takes on a revolutionary aspect and adopts long-run ideological goals such as socialism, anarchism, or communism in preference to short-run pragmatic goals of better wages, hours, and working conditions. In most industrial nations, Perlman noted, the intellectual has tended to underestimate the resistance power of capitalism and to overestimate labor's desire for radical change. Thus, where the resistance power of capitalism is strong and the workers' desire for radical change is weak, the intellectual's mentality fails in its attempt to influence the labor movement, with the reverse being the case in the presence of weak resistance power on the part of capitalism and strong revolutionary tendencies on the part of industrial workers.

The third basic factor, *trade union mentality*, refers to the preference of the labor group and its leadership for short-run tangible improvement in the workers' economic status and a disregard for long-run ideological goals. The trade union mentality is job-conscious in its orientation and attempts to establish, via collective bargaining, labor's proprietary right or interest in the job, thus assuring the group's control over job opportunity by way of union work rules, regulations, and the rationing of scarce job opportunity among the membership. The inherent scarcity consciousness of the worker, noted Perlman, is the factor which induces him to organize and to draw up work rules and regulations as controls over job opportunity. The trade union mentality, on occasion, must not only struggle with the employer to achieve job control; it must also battle the intellectual's mentality, which seeks to dominate the labor movement often by boring from within. It is important to note that Perlman thought the primary objective of the trade union mentality is not to fight and eventually eliminate the employer, but rather to seek to develop a "thoroughgoing job control."

Where the resistance power of capitalism is strong, this in itself, thought Perlman, may be sufficient to turn the attention of labor organization to job control and away from revolutionary goals. Thus, under these conditions, it is in a sense the cooperation between the employer and the pragmatic labor leadership which prevents the domination of the movement by the intellectual's mentality.

In applying his theory to the labor movement of this country, Perlman found here an exceptionally high degree of resistance on the part of capitalism toward any groups opposing its right to control industry, and he also found a very high degree of maturity of the trade union mentality. Finally, he discovered a very weak and diminishing influence on the part of the intellectual's mentality, a fact which was probably due in part to the status of the first two factors. As a result, Perlman concluded it was only natural to find here a conservative, pragmatic business type of unionism. Other societies, on the other hand, where conditions might be reversed from those noted in this country, would tend to develop much more revolutionary union movements. This conclusion on Perlman's part represented quite a change during his career in his thinking concerning labor movements. As a young immigrant from Russia, he had been convinced that the revolutionary or Marxian interpretation of labor movements was the most valid interpretation. Close observation of the English labor movement and that of this nation led him to the conclusion that for most free enterprise capitalistic societies the pragmatic explanation of labor movements was more often valid than the revolutionary explanation. His theory, however, is flexible enough to allow for varied explanations of labor movements wherever and under whatever conditions they may have been found to develop.

Other Theorists of the United States

Many other writers formulated theories of the labor movement in this country; but since their theories have had somewhat less impact than those discussed thus far, they will be mentioned only briefly. John Mitchell, president of the United Mine Workers from 1899 to 1908, and later a lecturer, governmental official, and an AFL vice president who secured from the AFL in 1901 the right of the miners to organize on an industrial basis, developed a so-called "economic protection" theory. Thus, he postulated that trade unionism arises to provide economic protection for industrial workers via equality of bargaining power with the employer. He opposed the class struggle concept, asserting that unions were not against any particular group, but rather were *for* the workers and their economic interests within the capitalistic society. He stressed the importance of "contract within existing market institutions," as opposed to class warfare.²⁵ Mitchell's theory thus closely paralleled that of the Webbs in England.

Another theorist of this nation, Carlton H. Parker, while recognizing the economic origins of worker discontent with substandard living and

²⁵ John Mitchell, *Organized Labor* (Philadelphia: American Book and Bible House, 1903), pp. 2-4.

working conditions, developed a psychological theory of the labor movement.²⁶ He concluded that unionism is basically the result of the worker's psychological maladjustment in industry, where he becomes frustrated by restraints of industrial regimentation so foreign to the lack of restraints which characterizes the typical worker's childhood. Thus, workers under such conditions utilize organization to try to bring about a readjustment which is more palatable to the group. Parker was convinced during World War I that labor in this country was becoming more revolutionary in nature. His premature death prevented him from developing his theory.

In more recent years, since World War II, several writers have posed still different explanations of the labor movement or, at least, of the labor movement as it has evolved through the maturation process. Thus, Professor Arthur M. Ross and others have written of the mature union as being primarily a *political* institution, with leaders motivated largely by political considerations.²⁷ The late Professor Henry Simons and Professor Charles E. Lindblom each have pictured the labor union as the most powerful monopolistic economic organism to be developed²⁸ and one which is incompatible with the free pricing mechanism in the long run.

Professor Kenneth Galbraith, in his theory of *countervailing power*, has noted that within the labor market the institution of unionism has arisen as a countervailing power to offset the original power resident in the corporation as the employer.²⁹ Organization of the industrial worker is pictured as being essential for the worker's own protection against the overwhelming economic power of the corporate employer. Countervailing power is called by Galbraith the counterpart of competition, i.e., it enters whenever competition is grossly unbalanced in a given commodity or factor market. Galbraith also points out that the trade union may not only come in to curb or match the economic power of the employing unit; it may also arise or be developed and maintained so as to share in the fruits of the corporation's economic power in the commodity market. Galbraith notes that while countervailing power may not be the only explanation of labor organization, it is *one* of the explanations of labor organization; it is one of the explanations which are *pertinent*, although it may not even be the most important explanation for many unions.

Professor Richard A. Lester has developed a long-run theory of union

²⁶ Carlton H. Parker, *The Casual Laborer and Other Essays* (New York: Harcourt, Brace and Howe, 1920).

²⁷ Arthur M. Ross, *Trade Union Wage Policy* (Berkeley: University of California Press, 1948).

²⁸ Henry Simons, *Economic Policy for a Free Society* (Chicago: University of Chicago Press, 1948); Charles E. Lindblom, *Unions and Capitalism* (New Haven: Yale University Press, 1949).

²⁹ John Kenneth Galbraith, *American Capitalism* (Boston: Houghton Mifflin Co., 1956), chap. ix.

maturation, as opposed to a theory of its origin. In this connection, Lester notes that while early union leadership displays a sort of missionary zeal, since the union at birth usually faces a hostile environment, when permanence of the organization is assured, the aging process sets in.³⁰ The center of union power has shifted by this time from the local to the national union, a centralization process which discourages rank-and-file participation in union affairs and which makes it possible to build up a political machine. Lester notes that the adjustment of the union member to the new union bureaucracy imperceptibly through time has its counterpart in the gradual adjustment of the corporate employer to the union. In this state of union maturity, less resort is made to the strike, mutual interests of union and corporate management become apparent, and the national union insists upon strict adherence by its affiliates to contract terms, thus becoming, in a sense, a part of management's total control system. The unions' staff specialists become increasingly important functionaries, with policy being made increasingly from the top of the union hierarchy and "sold" via skillful communications to the membership. As a result of these developments, union officials acquire the attributes of success as well as some of the prestige symbols of management. With the most elemental needs of labor being satisfied, the union's interests become more varied; thus, it becomes concerned with the larger problems of society in general, as opposed to its original "union only" basis.

Summary of American Theories

Professor Mark Perlman, in his comprehensive survey of labor union theories which have been advanced in this country, classifies such theories under five headings: (1) the moral conditioning group, (2) the social revolutionary theories, (3) the psychological environment formulations, (4) the economic welfare category, and (5) the social institution family of theories.³¹ Of these various classifications, Perlman concludes that the most valid classes of theories for explaining the labor movement in the United States are the *economic welfare* and the *social institution* classifications. The former group of theories is based upon the important assumptions that labor wants only to improve its economic status and that it will do so by the least-cost means, a means which *may* be that of trade unionism. The social institution classification of theories centers around the hypothesis that workers are concomitantly members of many social groups and that, in the main, the individual worker achieves self-

³⁰ Richard A. Lester, *As Unions Mature: An Analysis of the Evolution of American Unionism* (Princeton: Princeton University Press, 1958).

³¹ Mark Perlman, *Labor Union Theories in America* (White Plains, N.Y.: Row, Peterson & Co., 1958), pp. 224-41.

expression, material security, and moral realization only by joining with his peers in organization. Thus, unionism and industrial democracy are envisioned as being "indistinguishably interrelated."

Perlman concludes by noting that under certain conditions in other countries, or even in this country, one or more of the other three classifications of labor union theory might be applicable. Under conditions as they now exist in the United States, however, and as they are likely to exist in the foreseeable future, it is unlikely that the first three classes of labor union theory will have much relevance.

CONCLUSIONS

Any survey of theories of the labor movement which have emerged in England, Europe, and the United States will be noted for the frustrations which it develops in the student. The one thing which stands out above all others, perhaps, is the great divergence of assumptions and conclusions to be found among the several theories. Further, many of the differences would appear to be irreconcilable. The student is perforce reminded of Saxe's poem wherein a group of blind men each attempt to describe an elephant in terms of the particular portion of the elephant's anatomy which they have individually contacted.³² The problem is compounded in the case of labor movement theorizing, however, since not only have writers often developed divergent theories, depending upon the segment of the labor movement's anatomy with which they were most familiar, but they have also disagreed in their analyses because of the differences in time and place of the origin of their respective writings and also because of differences in the background and training of the theorists.

Thus, theories have tended to be revolutionary in nature if they have been developed in the early decades of a nation's industrialization, when the new institution of trade unionism is clamoring for recognition and acceptance, and while working-class individuals are still rebelling here and there against the regimen of industrialization itself. Theories have also tended to be revolutionary in orientation if they have originated in particular nations or industries where the working class's present and future real incomes have seemed beyond material improvement.

On the other hand, labor movement theories which have been advanced in societies or in time periods where workers in the main have experienced constant improvement in real wages, and where still further improvement appears to be a distinct possibility, have tended to have a much more pragmatic and conservative orientation. Similarly, theories

³² *The Poetical Works of John Godfrey Saxe*, Household Edition (Boston: Houghton-Mifflin & Company, 1882), 111-12.

which were advanced in the youth of a given union movement have been prone to advance revolutionary tenets, with the union taking on semblances of a "cause" and its leaders the attributes of "crusaders." Contrariwise, theories which have emerged after the maturity of a given union movement has been attained tend to be much more conservative and pragmatic in nature, with the union looking much more like a business than a cause and the leaders thereof looking much more like professional politicians or career men than crusaders.

It should also be noted that some of the differences of opinion among the theorists may be due to the particular academic background of the theorists. Thus, sociologically trained academicians are apt to see sociological aspects of unionism as uppermost in importance, while those trained in the discipline of economics are just as prone to emphasize the economic aspects of unionism. The same may be said for psychologists and political scientists. Undoubtedly, then, part of the theoretical differences must be attributed to the limited scope of vision possessed by given writers in given times and places, traceable both to their academic training and to their limitations as human beings with built-in biases of various kinds.

Perhaps, in the final analysis, much, if not most, of the divergence noted among the theories is due to the simple fact that the term *labor movement* is and always has been highly misleading. It was ever the dream of the intellectual's mentality, especially, that labor of a given nation, and eventually of the industrial world, could be united in "one big union." Hence, the term *labor movement* has been used erroneously ever since to describe what has been in the typical industrial society not one labor movement at all, but rather a series of labor organizations possessing some similarities but also many dissimilarities as well as many bases for interunion conflict. Thus, most of the many theories which have emerged possibly explained logically the development of a particular organization or of a number of labor organizations in a given time and place. By the same token, most of the theories, taken individually, would not suffice to explain all labor organizations wherever and whenever they have arisen.

Despite the numerous differences which exist among the theories discussed, however, there are also some common threads to be discerned as interwoven in all or most of them. For example, most theorists have agreed that it was industrialization, with its factory and wage system, which set up the conditions leading to unionism and collective bargaining. The relatively low economic, social, and political status of the factory worker and the lessening of his control as an individual over these aspects of his life were highly important in leading him to substitute collective for individual bargaining. It seems of little importance to debate which one set of factors—economic, sociological, or political—

was the most important motivationally. It is highly important to recognize that all of these aspects probably had some influence in the birth of labor organizations and that all can be traced to industrialization.

Secondly, most theorists today are agreed that despite the vigorous efforts of the intellectual revolutionary idealist over time, the majority of labor organizations has been primarily interested in short-run, pragmatic, and conservative goals as opposed to long-run, revolutionary, and ideological ends. Hence, the bulk of labor organization has increasingly supported essentially the free enterprise capitalistic framework, being content to work within that framework both to satisfy the sundry desires of union membership and to protect and promote the growing political and economic interests of the leadership.

In the third place, most theorists are apparently agreed that labor organization and leadership change greatly in nature over time. While a given organization may start out aggressively and violently as a "cause" led by leaders who are often crusaders by nature, the same organization in its maturity becomes more of a business than a cause—often big business—while its leadership is increasingly made up of politically oriented professional career men rather than the old-time crusaders. Like the professional corporation manager, the union leadership career man has individual political goals to pursue as well as the economic goals of the membership.

Most theorists would undoubtedly also agree that labor organizations in the industrial world, while possessing much in common, do develop peculiar differences of major or minor importance. These differences may well be due largely to environmental factors, which differ from nation to nation, or even from one section or industry of a nation to another section or industry of the same nation. Environmental factors may include economic, social, political, and geographic aspects, as well as the differences in the resistance power of capitalism and the ability of the intellectual's mentality to dominate the labor organization in question, referred to by Selig Perlman.

Many, and perhaps most, theorists would also probably agree on the proposition that modern trade unionism, and especially its leadership, is highly opportunistic and calculating in the main. While most organizations may have started as *defensive* units, they have often developed into *offensive* agents which are as likely to try to maximize their use of economic and political power as would a similarly powerful business organization or combination in either the commodity or the factor markets. By the same token, labor organizations as well as business organizations may be forced to exercise some restraint in wielding their economic power because of either fear of or actual legislation against economic power blocs on the part of society.

Most theorists are probably agreed that, far from being temporary

institutions, unionism and collective bargaining will continue as institutions of the industrial society, at least for the foreseeable future. Labor organization and collective bargaining would possibly disappear only if the capitalistic society should change greatly in nature from an industrial society to some other form of society or if labor groups should come to consider unionism and collective bargaining not to be the least-cost means of achieving their economic, social, and political ends. Neither of these changes appears imminent; hence, unionism and collective bargaining would seem to be relatively permanent fixtures in the industrial economy, with mixed implications for overall good and ill so characteristic of other important economic and political institutions.

In the last three decades, theorists have implicitly and explicitly recognized that any theory of the development of unionism must involve some theorizing on the development of capitalism itself. That is, since unionism has demonstrated an ability to adapt itself to changing conditions within the capitalistic society, and since it has risen to a level of great importance in capitalism, what happens to unionism in the future will depend considerably upon the evolutionary trends in capitalism itself. And by the same token, developments within unionism may influence some of the trends of development which capitalism itself will exhibit in the future. In other words, both the labor movement and the economic system known as capitalism will be highly dependent upon each other in so far as future development is concerned, thus defying separate consideration and prediction. It should also be apparent that a full understanding of the labor movement is dependent upon a complete study of its economic, psychological, political, and sociological facets. No single approach will suffice.

DISCUSSION QUESTIONS

1. Why do you think Adam Smith was so much in error in his estimation of the future power of labor associations?
2. Marx's assumption that once the socialistic state was achieved, unionism would no longer be necessary is predicated on the assumption that the basic conflict is between the employer and the worker. Do you agree? Could the conflict instead be between labor and management? If so, how would this alter Marx's predictions concerning unionism's future?
3. Why did the dominant socialistic leaders of the 19th century have such contempt for "bread-and-butter" unionism?
4. Comment on the view of the Webbs that unionism and collective bargaining represent an extension of democratic ideals from the political to the industrial sphere. Do you see similar extensions to other spheres of national life?
5. Comment on Cole's gloomy prediction concerning the English labor move-

ment's future political successes in light of the four labor governments which have been set up to date in England. How do you think Cole erred, if he did?

6. Discuss the usefulness of Hoxie's classification in a study of labor unions.
7. Which of Commons's environmental factors do you see as having the most influence on the development of the labor movement in this country?
8. Analyze Tannenbaum's contention that trade unionism is the conservative counterrevolution of the present. What are some implications of this statement?
9. Cite illustrations from your own observations which show that Perlman's scarcity consciousness thesis has some merit as an explanation of unionism and its activities.
10. Does Galbraith's countervailing power approach to unionism sound like any of the 19th-century theorizing in England or Europe?
11. What are some of the implications stemming from Lester's observations of the development of unions and union leadership as unions mature?
12. Which theories, in your opinion, appear to have the most relevance to unionism as it is known today in the United States?

SELECTED READINGS

- COMMONS, JOHN R., and ASSOCIATES. *History of Labor in the United States*. 2 vols. New York: Macmillan Co., 1918.
- HOXIE, ROBERT F. *Trade Unionism in the United States*. New York: D. Appleton & Co., 1917.
- LESTER, RICHARD A. *As Unions Mature: An Analysis of the Evolution of American Unionism*. Princeton: Princeton University Press, 1958.
- PERLMAN, MARK. *Labor Union Theories in America*. White Plains, N.Y.: Row, Peterson & Co., 1958.
- PERLMAN, SELIG. *A Theory of the Labor Movement*. New York: Macmillan Co., 1928.
- TANNENBAUM, FRANK. *A Philosophy of Labor*. New York: Alfred A. Knopf, Inc., 1951.
- WEBB, SIDNEY and BEATRICE. *Industrial Democracy*. New York: Longmans, Green & Co., Inc., 1920.

GROWTH OF THE LABOR MOVEMENT OF THE UNITED STATES

The growth of a given industrial nation's labor movement is quite similar in many respects to that of other industrial nations. For example, structurally speaking, the typical labor movement ultimately erects a pyramid. The base of the pyramid consists of the sundry local unions of a nation, and varying lengths of time may be required in the case of a given labor movement for this foundation to become firmly entrenched. The heart or midsection of the pyramid consists of national or international unions which unite related locals. This section of the structure usually is formed only after the local union movement has been more or less established and reflects the expanding scope of unionization as well as the widening scope of industrial organization and operation.

The apex of the labor movement pyramid is added usually after the national entities are relatively established and takes the form typically of a federation of national unions. The typical labor movement usually possesses one dominant federation, although there may be minor federations competing with the dominant organization for affiliations.

Another similarity to be observed in the growth of various labor movements is the fact that organization of labor almost invariably starts with the unionization of skilled workmen. Several factors probably account for this phenomenon. For example, the skilled worker has lost more in status and economic freedom via industrialization than has his unskilled counterpart. Secondly, the skilled worker has been generally more highly trained and/or educated and thus is perhaps more apt to become aware of the gains which might flow from combining with his fellows. Then, too, the skilled workers of a given craft have much more in common than do the heterogeneous unskilled workers. The strategic importance of the skilled worker to production is another factor which

may induce him to try to utilize some monopoly power within the labor market.

The principal purpose of this chapter will be to trace the relatively slow development of the labor movement within the United States. In the process an effort will be made to explain the reason for the movement's following given tangents at various time periods. The discussion is organized on the basis of the labor movement pyramid and the manner in which its various segments were established in this nation. A secondary objective of this chapter will be to note the predominant characteristics of the labor movement of this country which have resulted from its manner of development. Further, a discussion of the possible causal factors which have figured in the absolute and "real" growth of the labor movement's membership will be included.

BASE OF THE PYRAMID, 1792-1849

The First Unions

The labor movement of the United States is roughly 180 years old, since it is usually dated from the early 1790's. Although a few sporadic strikes such as that of some New York bakers occurred during the colonial period,¹ bona fide trade unions and collective bargaining did not really come into being until after the War for Independence. It is true that there were benevolent societies formed by some workers during the colonial period; but these societies concentrated upon the provision of mutual benefits for members in the way of burial funds, sickness benefits, and the like, rather than upon bargaining with the employer over wages, hours, or working conditions.

Thus, the first quasi-permanent craft union for negotiating collectively with an employer was the organization of Philadelphia shoemakers in 1792. Although the initial organization lasted only a year, it was re-formed in 1794 as the Federal Society of Journeymen Cordwainers and maintained continuous existence until 1806. The organization came to an end as a result of being adjudged guilty by a Philadelphia court of criminal conspiracy because the union had called a strike to force a wage increase. As a result of this setback the union became bankrupt and quickly disintegrated. Two background items of interest should be noted in connection with the Philadelphia shoemakers' trial. Employers of shoemakers had formed an organization in the late 1790's originally to

¹ This strike was not really a strike of workers against a private employer; rather, it was a strike against a city ordinance regulating the price of bread. The first strike of workers against an employer occurred in Philadelphia in 1786, when some printers struck successfully for a minimum wage of \$6.00 per week (Selig Perlman, *History of Trade Unionism in the United States* [New York: Macmillan Co., 1922], p. 3).

protect themselves from competition with merchants offering inferior merchandise at lower prices. Eventually this organization came to determine collectively the prices or rates which should be paid to the journeymen shoemakers. Thus, the trial involved, in part, the issue of managerial prerogatives versus the rights of organized workers in the determination of wages. Secondly, this trial was enmeshed with the struggle for power then going on between the Jeffersonian Democrats and the Hamiltonian Federalists. The former, being more liberal, opposed the use of English common law doctrines such as that of criminal conspiracy in American labor cases. The Federalists, being more conservative, favored the use of such doctrines in labor cases.² In both of the instances noted, the results of the trial were favorable toward the conservative point of view. The fact that most courts of the day were Federalist-oriented may have been significant.

Six similar trials of early unions occurred during the 1820's, including cases involving a union of New York hatters in 1823, a Philadelphia tailors' organization in 1827, and a union of spinners in the same city two years later.³ Each of these six trials in the 1820's involved the legality of *means* used by unions, rather than the legality of worker organizations per se. Four of the six trials were decided against the labor organizations in question, with two trials going in favor of the unions involved.

While it is apparent from the above that early labor organizations faced obstacles in the form of adverse court decisions, it is safe to say that the depressed economic condition of the nation following the Napoleonic wars was even harder on trade unions. Many infant industries on this side of the Atlantic found it impossible to compete with European industries, with the result being declining wages and employment levels, coupled with rising unemployment in this nation. Added to the problems of early trade unions was the fact that as unions began to emerge, and as economic conditions worsened, employers started to organize more vigorously and to utilize various devices designed to break up labor organizations. These devices included the use of the police, antiunion propaganda in the press, strikebreakers, violence, and the labeling of unions as "foreign and unpatriotic." Especially hated by the employers of this period were the apprenticeship and work rules drawn up by some trade unions, and their insistence upon the closed shop. These were all seen by the employer as an encroachment upon his prerogatives which he could not tolerate, especially in view of growing European competition.

Prior to the 1820's, labor organization was largely confined to printers and shoemakers. During the 1820's, however, after economic conditions

² Elias Lieberman, *Unions Before the Bar* (New York: Oxford Book Company, 1960), pp. 1-15.

³ Joseph G. Rayback, *A History of American Labor* (New York: Macmillan Co., 1959), p. 59.

had improved, other skilled workers engaged in organizational activities. The first city central labor organization also was launched during the 1820's, with the mechanics of Philadelphia setting up such a unit in 1827. As early as 1825 women employees experimented with organizational activity with the formation in New York City of The United Tailoresses of New York, a union for women only. In 1828 the first recorded strike of factory working girls took place in Dover, New Hampshire. From 1828 to 1831, another economic recession was experienced by the nation, and with it came the wholesale obliteration of trade unions. This pattern of union growth during prosperity and collapse during recession was to be repeated over and over again during most of the 19th century.

The earliest unions of this nation possessed the common characteristics of being craft in nature, local in scope, temporary as to life, and relatively impotent as to economic impact. For reasons noted earlier, it was primarily the skilled workers who formed the earliest unions, thus leaving the unskilled and semiskilled in a generally unorganized condition. The earliest unions were understandably local in scope, since both the local scope of early industry and the lack of efficient transportation and communication media combined to restrict the unions to the factory, town, or city. Many of the unions were temporary, in that they would spring up overnight to bargain over a given issue and then just as quickly disintegrate once the issue was settled. The lack of permanent treasuries, meeting halls, and officers served to augment the temporary existence of early unions. While the unions occasionally would win a strike or exact concessions from an employer via bargaining, in most instances unions were kept in a more or less impotent state due to the superior economic power of the employer, the decisions of the courts, and the negative attitude of the general public toward worker organization. Industrial workers were still unable to vote for the most part, since states had property qualifications for voting; they were also decidedly in the minority numerically, since the nation was predominantly agricultural; and they were assuredly unrepresented in legislative or judicial circles.

Early Labor Political Action

Labor's collective bargaining activities dwindled in the period 1828-31 because of the onslaught of another economic recession which wiped out labor organizations. As an alternative to economic action, labor turned to experimentation with political action, a venture made possible by the disappearance during the 1820's of the last state property qualifications for voting with respect to adult white males. As a result, the world's first labor parties emerged in this country in the form of workingmen's parties, which began in Philadelphia and eventually functioned in 50 to 60 industrial towns and cities, all told.

The platforms of the workingmen's parties usually included such items as the 10-hour day, child labor legislation, abolition of convict labor competition, free public education, the abolition of imprisonment for debt, the enactment of mechanics' lien laws, and the elimination of home and factory sweatshops. The parties generally were not too successful in electing their candidates, their defeat being made certain by opposition of the two established parties (Democrats and Federalists) and the employers, as well as by the popularity of Jackson as a presidential candidate in 1832. The brief initial experiment by labor with direct political action came to an end in the mid-1830's with the disintegration of the workingmen's parties. The experiment may have been somewhat successful indirectly, as nearly all the platform planks of these parties soon became legislative reality among the several states. It is of interest to note that even though labor parties had their origin in the United States, this country nevertheless remains as the only major free enterprise nation without a bonafide labor party. It may very well be that both the major parties and labor learned a valuable lesson at this time. Labor learned the futility of third-party action in this nation, although the lesson seemingly had to be relearned periodically. The major parties learned the advantage of the strategy of sponsoring at least some of labor's demands in order to command a significant portion of labor's votes. This lesson, too, has had to be relearned apparently by the major parties at subsequent intervals.

Resurgent Unionism

Following the demise of the first labor parties in the 1830's, there appeared a renewed interest in labor organization for economic purposes. Abortive attempts to create national organizations even appeared in the form of the National Trades' Union of New York (1834-37) and the National Cooperative Association of Cordwainers, also of New York (1836-37). While these attempts illustrated a growing recognition on the part of some unionists that local organization alone would not be adequate, the labor movement in general was not yet ready for such ambitious projects. The resurgent unionism of the mid-1830's collapsed with the coming of the panic of 1837, which virtually wiped out all existing labor organization. The economic reverses persisted into the early years of the 1840's with continued high levels of unemployment and falling wages.

The infant labor movement did salvage one definite political gain during the 1840's, however. In 1842 the Massachusetts Supreme Court, in the famous case of *Commonwealth v. Hunt*, held that an attempt by a group of bootmakers to set up a closed shop via strike pressure did not constitute a criminal conspiracy. This decision, written by Chief Justice

Shaw, marked quite a reversal of court precedent, since up to this time, even the formation of a union or a simple strike for higher wages would often earn the group a conviction for criminal conspiracy. Now, suddenly, not only a strike, but one to set up the much-maligned closed shop, was held as not constituting a criminal conspiracy. In his decision, Justice Shaw initiated the doctrine of "virtuous ends pursued by virtuous means." That is, as long as the union's goal and the means used to attain the goal are legitimate, no criminal conspiracy can be said to exist. However, if either the means or the end be held to be unlawful, then a union might be held guilty of criminal conspiracy. Thus, while the union in this case was held guiltless of conspiracy by the Court, it did not follow that all union goals or the means employed to reach them would be so construed by the courts. While this decision did not terminate the use of this English doctrine in later court actions, it did mark the beginning of the end of its use, as increasing numbers of state and federal courts followed the precedent set by the Massachusetts tribunal.

The Utopian and Cooperative Digressions

The period following the mid-1820's not only produced a digression by labor into political action but also some digressions in the form of social experiments. Utopian societies were formed in various localities, being inspired by Robert Owen, the English cooperative leader who was visiting in this country and/or by the French socialist Charles Fourier. The so-called "utopias" featured community land ownership as well as of tools of production, the minimization of interworker competition, and an emphasis upon brotherly love and consideration. In a sense, the whole venture posed as a "yearning to go back" to the preindustrial days and thus to eliminate poverty, unemployment, and other economic ills which labor often attributed to the factory system. Nearly all these experiments failed shortly, for a variety of reasons. Some of the failures were undoubtedly caused by certain human shortcomings; but in the main, they were due simply to the utter futility of attempting to roll back a movement as powerful as that of industrialization.

Other "escapes" sponsored during the 1840's by sundry groups, including labor organizations, were the homestead movement and the cooperative movement. The first of these movements persisted through the 1850's and 1860's, and involved a demand by labor of government to provide an escape from the factory and wage systems via self-employment on "free" land. The movement culminated eventually in the Homestead Act of 1862. The question as to just how much advantage was taken by industrial workers of this avenue of escape is still debatable. Even if they utilized it but slightly themselves, it nevertheless probably helped to

keep human resources relatively scarce in and around industrial cities, thus possibly exerting an upward pressure on wages.

The cooperative movement, with its goal of worker-owned producer and consumer establishments in order to eliminate the profits of the entrepreneur, has long been an ideal of many labor groups. While the consumer cooperative movement has enjoyed some degree of success in England and the Scandinavian countries, the producer cooperative has always had more difficult going. In this country the same general pattern has been observed, except that even the consumer cooperatives have experienced great difficulties and often short life.

The late 1840's saw economic conditions greatly improved. As a result, labor seemed to lose some of its enthusiasm for the various escape mechanisms noted above and once again turned to organization for bargaining purposes with renewed vigor. The new unions which were being formed at this time began to utilize initiation fees and regular dues to build up union treasuries and to create strike benefit funds. Increasing interest in the closed shop as a device for keeping nonunion workers out of the plant was developed in the craft unions, partly as a result of the favorable court decision of 1842 in Massachusetts.

THE HEART OF THE LABOR MOVEMENT PYRAMID, 1850-65

The heart or midsection of the labor movement pyramid—the national unions—began to be added in the decade of the 1850's by local craft unions. Causal and contributing factors behind this development undoubtedly included the growth in scope of industry with the development of the corporate form of business ownership, the improvements being realized in the realm of transportation and communication, and the realization on the part of isolated labor locals that, alone, they could not cope with the growing economic power of the firm.

The formation of national unions, it was hoped, would not only bring about greater uniformity with respect to wages, hours, and working conditions for a given craft, but would also enable the group to present a more united front to the ever more powerful employing unit. Further, it was hoped that national organization would enhance labor's political potential at all levels of government. Finally, many farseeing labor leaders were of the opinion that only by national organization would the movement be able to attain the financial solidarity needed to assure continuous existence over the recession phase of the business cycle.

Beginning with the national union formed by the printers in 1850, several "nationals" were set up during the 1850's, including those of the typographers, molders, stonecutters, hat finishers, machinists, and locomotive engineers. The typographers' national organization, initiated in

1852, was the first national labor body to have continuous existence down to the present period. Other early national organizations which have remained intact from their origin to the present are those of the carpenters, bricklayers, locomotive engineers, locomotive firemen and engineers, and painters.

The national union movement, which was successfully launched during the 1850's, experienced an acceleration of activity during the Civil War period and the years immediately following the war. This was due to the intensified industrial activity going on within the economy as well as to the tendency for the price level to rise more steeply than wages during the war. Local unions were also growing rapidly during this period, thus furnishing the raw material for increased nationalization. In 1863, for example, there were about 80 local unions in the 20 northern states. By 1864, this number had swollen to over 300 locals in the same states.

While the panic of 1854 wiped out most labor organizations then in existence, as time passed it became obvious that the national union had greater staying power during adverse periods than did the local union.⁴ Strike activity mounted during this period of growing local and national organization, due in part to the exercise of the labor movement's burgeoning power and in part to the divergent developments during the Civil War in the realm of prices and wages, alluded to above. One writer has noted that between 1860 and 1865, prices in general rose by about 76 percent, while wages rose by only 50 percent.⁵ The high levels of employment which existed during and following the Civil War contributed to the bargaining strength of the growing and centralizing labor movement, a fact which in itself encouraged aggressive strike action. The same conditions tended simultaneously to improve labor's score in strike activity and to cause increasing organizational activity on the part of employers.

In part, the unifying activities of both labor and employer groups during and after the Civil War are indications of the accelerated transition from an agricultural to an industrial economy. Prior to the Civil War, neither labor unions nor employer associations were too significant because the economy was still overwhelmingly agricultural in nature. The Civil War, however, provided the big shot in the national arm which was to bring the economy much closer to the status of an industrial nation before the turn of the century. Hence, it should not be surprising to note the typical institutions of such a nation growing with greater speed during these years.

⁴ Close on the heels of the 1854-55 setback, the panic of 1857 dealt a similar blow to union membership.

⁵ Selig Perlman, *op. cit.*, p. 43.

It should not be assumed that all the centralizing activities were confined to the national level. Both labor and employer organizations were also trying to unify their activities on the local level. Thus, the period following the Civil War saw many city "centrals" formed by craft unions, as well as the creation of city-wide federations of employers' associations for bargaining purposes. Both parties to collective bargaining were obviously seeking to augment their bargaining power via organization of constantly wider scope.

THE APEX OF THE LABOR PYRAMID, 1866–1955

The national union movement had barely attained a semblance of maturity before the economic and political advantages of a still more comprehensive organization of labor began to be apparent to several labor leaders or would-be leaders. As a result, the labor movement began experimenting in 1866 with amalgamations of labor groups and, two decades later, with the federation of national labor bodies.

Amalgamations

The National Labor Union (1866–72) was the first serious attempt to amalgamate labor of all types on a nationwide basis. It was initiated and led by William H. Sylvis of the molders' union. The National Labor Union stressed cooperation, as opposed to the more aggressive types of action such as strikes, and favored direct political action. As a consequence of the latter policy, it was instrumental in launching the National Reform and Labor Party in 1872, a "third" party which did not survive its first election. With the failure of this political venture, the NLU itself went into obscurity. Among the various projects or panaceas sponsored by the NLU during its brief life was that of "greenbackism." This involved a grandiose plan to provide the man without capital an allegedly equal opportunity in business with his more affluent competitors via large issues of paper currency augmented by easy credit at low rates of interest. Standing as it did for aid to women employees, cooperative stores and workshops, and workingmen's lyceums and reading rooms, the National Labor Union had a distinctly utopian flavor. Perhaps this lack of realism contributed to its downfall.

While the National Labor Union was still intact, the most ambitious of the amalgamation attempts—the Knights of Labor—was brought into being. This organization, which admitted all types and grades of labor, was started in 1869 by Uriah S. Stephens, who was succeeded in 1878 by Terence Powderly. Because of fear of employer and governmental opposition, the Knights operated as a secret society, with elaborate rituals, until 1881. The principal long-run objective of the organization was that

of replacing the competitive society with the cooperative society. The means to be employed in accomplishing this end were to include *education* of the general public, *persuasion* of the employer, and *cooperation* within labor's ranks via producer and consumer cooperatives. Strikes, boycotts, and other relatively violent types of union action were played down by the Knights' administration, and the political approach was favored over the collective bargaining approach.

While the Knights of Labor was not a revolutionary entity, it was strongly reform-oriented. Among the more important reforms which it advocated were the following: direct legislation by way of the initiative and the referendum; labor bureaus to promote the welfare of the masses; health and safety laws; accident insurance; weekly payment of wages in money; the prohibition of child labor under age 15; compulsory public education and free textbooks; the graduated income tax; and government ownership of railroads, telephone and telegraph. Many of these "reforms" are taken for granted today but it should be recalled that they were often considered extremely radical when the Knights sponsored them.

While the membership of the Knights grew very slowly from 1869 until the 1880's, the first half of the latter decade saw a rapid increase in membership, especially following the surprisingly successful strikes against the powerful Gould railway interests in 1885. As of 1886, the membership of the Knights reached its lifetime peak of an incredible 700,000. Suddenly, the membership began to decline, however, so that by 1892 the organization was virtually extinct, although it continued to function weakly until 1917.

The rapidity of the decline of the Knights of Labor has long been a topic for speculation. It is probable that a number of factors were responsible, including the following: a generally poor organizational structure characterized the Knights—e.g., their rules prohibited the formation of *national* unions or associations; the leadership of Powderly tended to be rather vacillating in nature; there was increasingly aggressive employer opposition after 1885, which resulted in a series of lost strikes for the Knights from 1886 on; the membership was probably too heterogeneous for the rather positive political stands taken by the organization; and the experiment was probably about half a century ahead of time for industrial or general organization as opposed to craft organization of workers. Added causal factors which should be noted were the alleged (but never proved) connection between the Knights and the Haymarket Square Riot in Chicago in 1886 plus the emergence of a powerful competitor, the American Federation of Labor, also in the year 1886.

The Haymarket Square Riot involved the tossing of a bomb in the midst of a peaceful assemblage of striking McCormick Harvester and

other workers in Chicago on the night of May 4, 1886. When the incident ended, 10 people had been killed, including one policeman, and about 50 more had been injured. Although it was never proved that the Knights had anything to do with the incident, the press and anti-Knights employers succeeded in publicly saddling the organization with blame and with the label of radicalism all over the nation. This furnished adequate excuse for employers and many local governmental agencies to take stringent steps to curb or eliminate the Knights in many communities. It probably also succeeded in discouraging many potential members from joining the Knights.

The inroads on Knights of Labor membership made by the American Federation of Labor after 1886 were probably due to the growing sentiment on the part of skilled workers that they could wield more real economic power in a homogeneous type of organization than in a heterogeneous body like the Knights. The announced policies of the new federation also probably appealed more to the skilled workmen than did those of the Knights of Labor. Thus, between 1886 and 1892, craft unionism predominated over industrial unionism—an important, albeit temporary, trend in the labor movement of this country.

A final factor in the Knights' decline should be noted as the conflict between the national administration thereof and that of the affiliates on the local level. The latter favored much more strike action than did the Knights' central administration. As a result, the Knights of Labor leadership was constantly embarrassed by strike action of local groups which was not sanctioned by the central body. Labor in general seemed as yet unwilling to surrender the amount of sovereignty at the local level which would make national organization effective.

Other attempts at amalgamation of labor groups were registered in the post-Civil War period, but those of the National Labor Union and the Knights of Labor were decidedly the most impressive and the longest to survive. Of some interest was the formation in 1869 of a national organization of Negro workers since this indicated dissatisfaction on the part of Negroes with policies of the National Labor Union. The new organization, formed by Negro trade unionists and intellectuals, was called the National Colored Labor Union and concentrated largely on resolving the sundry problems of discrimination. Cooperative Negro workshops were seen as one solution by this organization. Although sympathetic toward the NLU for a time, the National Colored Union gradually diverged from the NLU. For example, while the National Labor Union condemned the Republican Party, the Negro organization supported it. The principal attributes which the various attempts had in common were those of relatively weak organization, rather positive political action, and more or less uncertainty as to the best methods for attaining their goals.

Federation

The labor movement pyramid was completed with the erection of the American Federation of Labor as its apex. While this organization was actually started in Pittsburgh by six prominent craft unions in 1881 under the formidable name of the Federation of Organized Trades and Labor Unions of the United States and Canada, it was reorganized under the shorter title of the American Federation of Labor in 1886. The craft unions responsible for its inception in 1881 were those of the printers, iron- and steelworkers, molders, cigarmakers, carpenters, and glassworkers. By 1886 the new organization had only 138,000 members, in contrast to the 700,000 boasted by the Knights of Labor.

Prominent in the formation and early leadership of the Federation were Samuel Gompers and Adolph Strasser of the cigarmakers' union. The former served as president of the AFL from 1886 until his death in 1924 and provided a shrewd as well as stable leadership during the formative and youthful years of the organization.⁶ The AFL definitely ushered *business* unionism into this country at a time when most European labor movements were turning toward a socialistic orientation. While Gompers and Strasser had both been socialists during their youth, they had since renounced the revolutionary approach by labor and constituted bitter foes of socialism during their remaining years.

The AFL seemed to avoid all the mistakes which may have contributed to the downfall of the Knights of Labor. The leaders built a solid organizational structure, a structure which had local unions affiliated with national unions while the latter were affiliated with the Federation; they stressed strong, financially solvent unionism, supported by relatively high dues; they emphasized federation of skilled workers' unions as opposed to heterogeneous labor groups; they stressed economic action as opposed to *direct* (third-party) political action; they accepted the essential tenets of free enterprise capitalism and determined to work within this framework to better labor's economic, political, and social status; and from the very beginning, they permitted a great deal of autonomy on the part of their affiliates. Gompers worked hard throughout his presidency to achieve "respectability" and social "acceptance" for the Federation in the industrial community and, for the most part, succeeded to a degree unheard of by earlier labor amalgamations.

It should be noted that while the Federation frowned upon *direct* political action, it started at an early date to support candidates who were avowedly friendly toward organized labor and to oppose those who

⁶ Gompers was defeated for the presidency of the AFL by John McBride in 1894, but was reelected in 1895. Gompers spent the year he was not president of the Federation traveling in Europe and often referred to the year as his "sabbatical."

were presumedly unfriendly. Thus, the AFL very definitely backed the Democratic candidacy of Woodrow Wilson for the presidency in 1912, as well as that of Robert La Follette in 1924 on the Independent ticket. Third-party support, however, with the exception of the La Follette digression in 1924, has been repeatedly condemned by the Federation as unproductive. Its strategy has been, instead, to induce individual candidates of one or the other of the major parties to support the platform of organized labor in return for its votes.

The Federation grew very slowly at first, rising from about 138,000 members in 1886 to only about double this number by 1898. This slowness in growth occurred despite the fact that during the same period the Knights of Labor was losing most of its 700,000 members. It should be noted, however, that most of the Knights' members were not skilled workers and hence were not eligible for affiliation with the Federation. The total union membership for the country as a whole grew amazingly between 1898 and 1904, with 1.5 million members being recorded by the latter year, of which probably three fourths were within the AFL. The principal groups outside the AFL at this time were the railway brotherhoods, but these groups were quite friendly toward the AFL. The prosperity associated with the Spanish-American War, in addition to the careful organizing efforts of the AFL, were probably the main factors accounting for the rapid membership growth noted above.

With the accelerating growth of both labor and management organizations, it was inevitable that bitter conflicts would occur. Hence, it is not surprising to note that violent, bloody altercations flourished during the 1890's, with the Homestead steel strike of 1892 and the Pullman strike of 1894 heading the list. The latter strike saw the defeat of a railway industrial union—the American Railway Union, headed by Eugene Debs—in addition to a human toll of 25 persons killed and 60 persons injured.

On the favorable side of the organized labor ledger, the 1890's also witnessed the coming into prominence of the written, signed labor contract as well as the initiation and popularization of the term *collective bargaining*. Furthermore, state and federal labor legislation favorable to labor was enacted during the latter part of the 19th century and the early part of the twentieth century. This legislation included child labor enactments, industrial safety codes, workmen's compensation laws, and special protective laws for female employees.

Governmental recognition of the growing importance of labor in the economy also took the form of a separate Department of Labor added to the President's Cabinet by the federal government in 1913. A wave of court decisions which were generally unfavorable to organized labor served simultaneously to restrain its activities somewhat and to stimulate its interest in political action. Organized labor was also beset with the use by the employer of the court injunction from the 1880's on. By this

device most union activities were restrained with actions in defiance of the injunction punishable as contempt of court. The resulting "government by injunction" as unions termed it is discussed in detail later. The AFL support of Woodrow Wilson's candidacy in 1912 was an example of the political awakening of organized labor.

While the main stream of organized labor's development was being monopolized by the AFL and other powerful business unions outside the Federation, a flurry of revolutionary unionism emerged in this country between 1895 and World War I. One aspect of this development featured the Socialist Labor Party, which stressed dual unionism of a revolutionary nature in competition with the AFL, starting in 1895. In 1901 the Socialist Party was carved out of the Socialist Labor Party by a group favoring the strategy of "boring from within" the AFL, as opposed to that of dual unionism. The third instance of revolutionary unionism, alluded to in an earlier chapter, involved the Industrial Workers of the World (IWW), which appeared in 1905, advocating the abolition of the wage system and the organization of the masses of unskilled labor in factories as well as unskilled migratory farm labor.⁷ The leadership of the IWW believed labor was in a life-or-death class struggle and that revolutionary political action was its only hope. One of the most prominent early leaders was Eugene Debs, who was converted to revolutionary approaches while languishing in jail as a result of the Pullman strike, which saw his American Railway Union, an experiment in industrial unionism, soundly beaten. As a result, Debs became convinced that no form of business unionism could succeed for labor, leaving therefore only revolutionary unionism as the last hope. Debs was alienated by the first platform of the IWW, which seemed to rule out working with the Socialist Party in which Debs was prominent and for which he became a candidate for the presidency early in this century (1912). The organization was successful for a time, especially in the wheat fields, mines, and lumber camps of the West. Several states outlawed the IWW as subversive during World War I, with many leaders thereof being sentenced to prison terms.

The World War I period from 1914 to 1920 was one of rapid progress in union membership, with the total in this nation rising from about 2.5 million in 1914 to a record level of about 5 million by 1920. The encouragement of collective bargaining by the federal government during the war plus the high levels of employment which prevailed combined to bring about this marked growth. During the 1920's, however, a reverse movement set in, with total union membership dropping to about 3.6 million in 1929 and to a low point of 2.9 million by 1933.

⁷ The IWW preferred direct economic action, as opposed to the more indirect approach of political action.

Explanations usually advanced for the decline in union membership during the 1920's have been numerous. In the first place, it is probable that many workers were swept into labor organizations during the war who were not thoroughly "sold" on unionism; and this, in addition to the difficulty experienced by labor organizations in assimilating so many new members in a short time, may have caused widespread dropping of union membership after the war. In addition, employer groups definitely intensified their aggressive antiunion, open-shop campaigns during the 1920's, in a renewed attempt to eliminate or severely weaken unionism. Numerous devices were utilized, ranging all the way from the more violent types of employing strikebreakers and labor spies to the more subtle approaches of company unionism and paternalism in the plant. Undoubtedly, too, one of the most important factors was the continued emphasis upon craft unionism by the AFL in a period of accelerated mechanization of industry, which saw the skilled worker shrinking in industrial prominence in contrast to the rising prominence of the semiskilled employee. The AFL stand here was not without foundation. As a matter of fact, it had helped to organize many industrial unions from 1910 to 1920 but had experienced great difficulty in keeping the unskilled members organized. The reluctance of the AFL to organize this growing mass of industrial workers, plus the dilution of skills via mechanization, in and of itself would have meant a decline in total membership.⁸ Of course, the last instalment of the union membership decline—that from 1929 to 1933—was mainly a result of growing unemployment during the downswing of the business cycle.

Federation Schism—Industrial Unionism

The conflict over craft versus industrial unionism which had been fermenting within the AFL since the turn of the century finally erupted in 1935 when the Committee for Industrial Organization was formed within the AFL by the late John L. Lewis and his United Mine Workers, aided by a number of other industrial unions. The AFL leadership, then headed by William Green, charged the industrial groups with perpetrating dual unionism, suspended some of the unions in 1936, and finally expelled them outright in 1938. The International Ladies Garment Workers Union, an industrial body which had remained loyal to the AFL, rejoined the parent body in 1940.

The industrial unions which were expelled in 1938 formed a rival federation, known as the Congress of Industrial Organizations, under the

⁸ Some would add that the generally conservative overtones of the 1920's was still another reason for the trends in union membership which developed. Perhaps, too, the growth of a "new era psychology" in the nation following the end of the "war to end wars" made a contribution here.

leadership of the late John L. Lewis. Lewis was succeeded in 1940 by the late Philip Murray, then head of the Steelworkers union; and he, in turn, was succeeded in 1953 by Walter Reuther, president of the United Auto Workers. The CIO and its affiliates grew very rapidly following its inception due both to favorable labor legislation enacted in the 1930's and to the fact that factory workers were apparently finally ready for industrial unionism. "Big Steel" and two of the "Big Three" automobile firms—General Motors and Chrysler—were organized dramatically in 1936-37, although the automobile firms capitulated only after bitter sitdown strikes. "Little Steel," led by Republic Steel, and the Ford Motor Company, successfully, albeit violently,⁹ resisted the CIO unions and averted recognition thereof until 1941, when representation elections conducted by the National Labor Relations Board forced union recognition. The vote by workers in the Ford representation election in 1941 saw 51,866 votes cast for UAW-CIO; 20,364 votes for UAW-AFL; and only 1,958 votes for "no union." Thus, in four years a sizable majority of votes for worker organization had developed in a firm which defeated unionism convincingly in 1937. The rapid growth of CIO membership probably helped to stimulate a similar growth in AFL membership between 1936 and 1941, with the end product being a period of marked growth in the nation's total union membership.

Immediately following the period noted above, the nation became involved in World War II. This event was characterized by pledges to the federal government by dominant labor organizations to refrain from striking during the war and to submit unsettled disputes to compulsory arbitration by the National War Labor Board. Dominant industrial firms made a similar pledge to the government with respect to lockouts. As in the World War I period, the World War II years witnessed a very rapid growth in total union membership. From the modern low point in total membership of 2.9 million in 1933, the total membership reached almost 13 million by 1945, for a gain of almost 345 percent in a period of 12 years. Most of this almost 10 million increase came during the World War II years, with about six million being added after 1939.

During the postwar years, repeated speculation concerning the possibility of a merger of the AFL and CIO was advanced, with many writers taking the position that the differences which separated the two bodies were of such basic nature as to be insurmountable. After the death in 1952 of CIO President Philip Murray, however, it was apparent that serious divisions existed within the CIO, as his successor, Walter Reuther, barely commanded 51 percent of the convention votes to defeat his opponent, the late Allan Heywood, who had the support of the

⁹ The Little Steel incident was climaxed by the famous Memorial Day Massacre at Republic Steel on May 30, 1937, in which Chicago police attacked 300 strikers. Ten were killed and 125 were wounded.

Steelworkers union. Two years later, in 1955, merger proceedings were begun by the AFL and CIO which brought to an end, at least nominally, the 20-year schism. At the time the merger was initiated, the membership of the AFL-CIO was recorded as about 16 million, in contrast to the AFL membership of about 3.5 million in 1935. The period of competitive rivalry, of industrial unionism, and of hot and cold international war had indeed been profitable from the standpoint of membership growth. There can be no doubt, either, that this was the period in which industrial unionism came of age. In 1935, when the CIO embryo was first formed, craft union members within the AFL outnumbered industrial union members by about 3 to 1. By the year 1955, when the split was cemented, industrial union members outnumbered craft union members within the AFL-CIO by about 2 to 1.

While the merger was instigated in 1955, the progress for its completion was slow as state and local bodies, especially, found it difficult to patch up their differences. Further, it should be noted that the basic differences which split the Federation in 1935 still persist, despite the merger. The issue of craft versus industrial unionism has not been resolved and perhaps will never be fully resolved. Soon after the merger, another problem arose to plague the newly formed federation. The senatorial investigating committee known as the McClellan Committee brought to light (1957-59) numerous questionable and racketeering practices on the part of certain labor union leaders within the gigantic Teamsters Union and a few smaller organizations. This resulted in the drawing-up of a Code of Ethical Practices by the AFL-CIO in an attempt to set the trade union house in order so as to avert drastic governmental intervention. In addition, the Federation expelled the Teamsters Union and the United Textile Workers Union in 1957. This caused the Federation to lose about 1.5 million members in one operation. The steps taken by the AFL-CIO, as noted above, were not enough, however, to prevent the passage by Congress in 1959 of the Labor-Management Reporting and Disclosure Act, which will be discussed in a later chapter. Suffice it to say at this point that the law imposed new legislative restrictions upon organized labor. The craft/industrial union rift noted above was dramatically reiterated when Walter Reuther and the UAW withdrew from the AFL-CIO in mid-1968. Thus, within little more than a decade, the Federation had lost its largest affiliate (Teamsters) via expulsion and its second largest affiliate (UAW) by secession. Total membership of these two large unions in 1969 was over 3 million.

As of 1966, the labor movement pyramid in this nation consisted of a base of over 76,000 local unions, a midsection of about 190 national or international unions, and an apex in the form of the AFL-CIO. Of the 190 national or international unions, 128 were affiliated with the Federation, with a total membership of around 16.2 million. Sixty-two national

or international unions were outside the Federation, with a total membership of nearly three million. The largest of the independents were the Teamsters (1.65 million) and the Mineworkers (0.232 million). In 1968, the UAW was added to the independents with a membership of about 1.5 million.

FACTORS IN THE GROWTH OF UNIONISM

The long-run trend in *absolute* union membership in this country has been definitely upward. Thus, from less than a million members in 1900, total membership had climbed to about 20.2 million by 1968 (see Table 12-1 and Figure 12-1). Periods of time in which membership growth was most pronounced include the years of 1898-1904, 1914-20, 1934-40, 1941-45, and 1951. All of these periods save that of 1934-40 involved total or partial mobilization for war by the economy. The years from 1934 to 1940 were characterized by a competitive race between the CIO

Table 12-1 Union membership in the United States

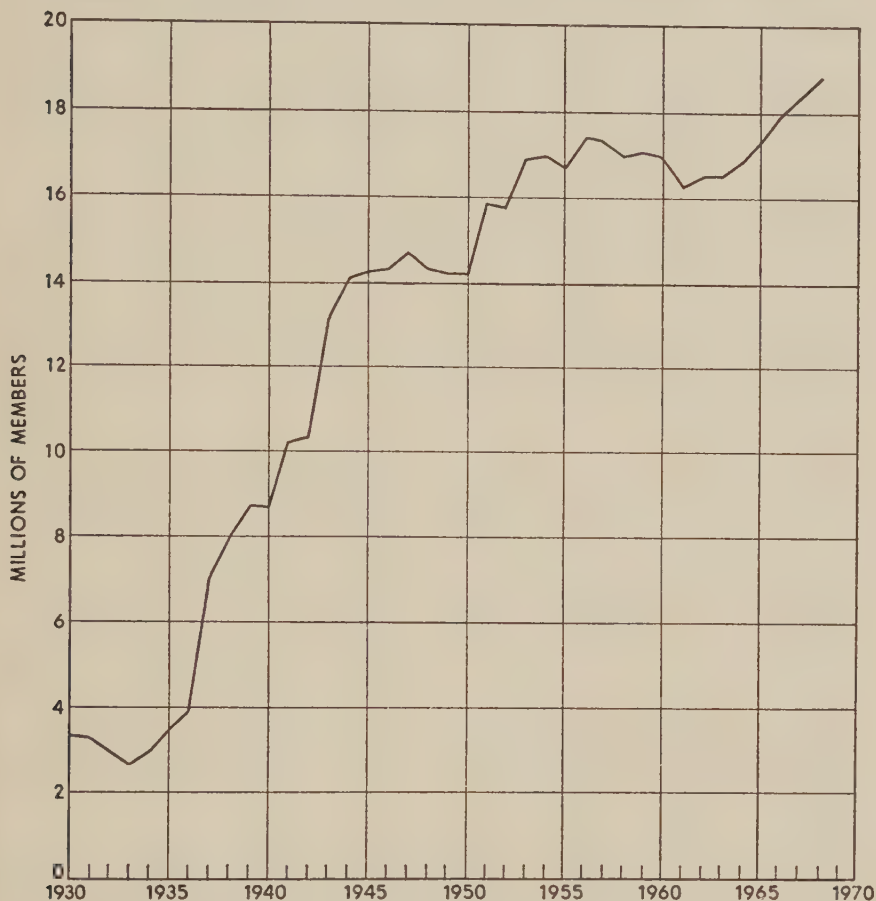
Year	Total (in millions)*	Membership as Percentage of Total Labor Force†	Membership as Percentage of Nonagricultural • Employment
1900	0.87	3.0	4.9
1905	2.00	5.7	8.9
1910	2.10	5.5	8.1
1915	2.50	6.3	9.4
1920	5.00	11.9	16.3
1925	3.52	7.8	10.2
1930	3.39	6.9	9.7
1935	3.70	6.7	13.4
1940	8.90	15.5	26.9
1945	14.70	21.9	35.8
1950	15.00	22.0	31.5
1955	17.70	24.4	33.2
1958	18.08	23.9	33.1
1960	18.12	23.3	31.4
1962	17.60	22.0	30.0
1963	17.59	23.6	27.8
1964	17.98	23.7	27.8
1965	18.58	22.4	28.5
1966	19.29	22.7	28.1
1968	20.20	22.9	26.1

* Includes Canadian members of unions affiliated with national or international unions of the United States.

† Percentages calculated on union membership, excluding Canadian members.

Sources: National Industrial Conference Board, *The Economic Almanac* (New York: Thomas Y. Crowell Co., 1956); also Bureau of the Census, U.S. Department of Commerce, *Statistical Abstract of the United States* (84th Edition; Washington, D.C.: U.S. Government Printing Office, 1963); and *Directory of National and International Labor Organizations in the United States*, U.S. Department of Labor, 1967, Bulletin No. 1596.

Figure 12-1 Membership of national and international unions, 1930-68 (exclusive of Canadian members)



Excludes Canadian membership but includes members in other areas outside the United States. Members of Federal labor unions and local industrial unions are also included. For the years 1948-52, midpoints of membership estimates, which were expressed as ranges, were used. Bureau of Labor Statistics, Bulletin No. 1596.

and the AFL, as noted earlier, and also by federal and state legislation which encouraged and protected unionization. Immediate postwar periods have been characterized either by a leveling-off in the rate of absolute growth, as in the post-World War II period, or by an actual decline in union membership, as in the 1920's. Recession years such as 1929-33, 1948-49, 1953-54, and 1957-63 have seen varying declines in total union membership, occasioned by rising unemployment, which lessens the number of dues-paying members. (See Figure 12-1.)

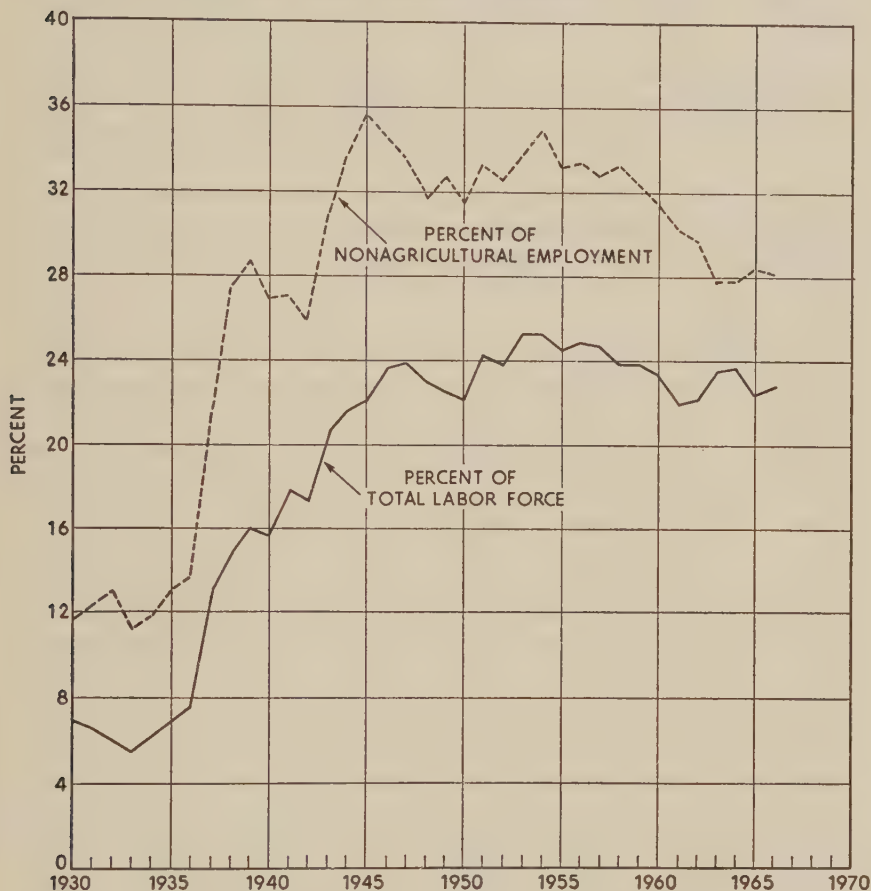
In an absolute sense the labor movement of the United States is the

largest in the world among the free enterprise nations. The closest competitors would be the labor movements of England and West Germany; but in each of these two cases, membership would fall below 10 million members. The Russian labor movement and that of Red China would both greatly exceed that of this country, since they arbitrarily include all industrial workers of the totalitarian societies. These labor movements differ substantially, however, from the labor movements of the free enterprise nations in that they are closely supervised and administered by the party and actually represent the interests of the employer (the state) to a greater degree than those of the working-class members. Unions in these nations are not given the right to bargain freely over wages and working conditions, nor do they possess the right to strike. In the main, they serve to discipline the work force, to increase the competition within the work force, and to draw all workers ultimately into the fold of the party.

A better measure of the growth of the labor movement is one which takes into account the growth of membership *relative* to some other aspect of the economy. Such measures are usually referred to as measures of *real* membership growth. At least three such approaches have been used on occasion by various writers. One approach in this connection traces the growth of union membership as a percentage of the total labor force (see Table 12-1). Thus, on this basis, *real* union membership in this country rose from about 3 percent of the total labor force in 1900 to about 24.4 percent thereof in 1955. The growth was not continuous, however, since it dropped from 11.9 percent in 1920 to 6.7 percent in 1935 before rising to its 1955 level. By 1962, it was down to 22.0 percent. Since 1962, the percentage has risen to a peak of 23.7 in 1964, after which it declined to 22.9 in 1968.

A second measure of *real* union membership trends is that which compares union membership to the total of nonagricultural employment within the economy. This is thought by many to be a better measure than the one noted above, since the vast majority of farm employees are not considered to be potential union members. Also excluded from this measure would be the armed forces, the unemployed, and farm owners/operators, none of which would be considered union timber with the exception of some unemployed. This approach shows *real* union membership rising from 4.9 percent of total nonagricultural employment in 1900 to about 33.4 percent thereof in 1956. Again, however, the growth has not been continuous, since two periods of decline have been registered: the period from 1920 to 1930, when the percentage dropped from 16.3 to 9.7 percent; and the period between 1945 and 1950, when the percentage declined from 35.8 to 31.9 percent (see Table 12-1 and Figure 12-2). Between 1956 and 1968 this index of *real* union membership fell to 26.1 percent as the harder-to-organize white-collar employees

Figure 12-2 Membership as a percentage of total labor force and of nonagricultural employees, 1930-66 (exclusive of Canadian members)



Bureau of Labor Statistics, Bulletin No. 1596.

were increasing rapidly in number while manual workers were declining in relative terms.

Still another measure of *real* union membership has been advanced, wherein total union membership is compared with the total number of allegedly "organizable persons" within the labor force. This measure presumably represents an even greater refinement over the first measure noted above than that of the second measure. In determining the number of organizable persons within the labor force, it is customary to exclude agricultural workers, farm owners and operators, self-employed business and professional persons, employees of small single proprietorships, and managerial and supervisory white-collar employees. Hence, the organiza-

ble group is made to include nearly all manual workers outside of agriculture plus most nonsupervisory white-collar workers. This particular measure shows a climb in *real* union membership in the United States from about 6.1 percent of the union potential in 1900 to about 31.1 percent thereof in 1950.¹⁰ In this case, too, the growth was continuous, except for the decline from 18.8 percent in 1920 to 10.2 percent in 1930. As of 1959, this indicator of union membership was about 36 percent. Since 1959, the trend in this ratio has also been downward but the lack of pertinent data prevents a precise pinpointing of more recent levels. Assuming the decline has been similar to that of the percentage of nonagricultural employment, by 1967 it may have been in the vicinity of 30 to 31 percent.

While the labor movement's growth in absolute terms has been spectacular in this century, the growth in real terms has tended to lag behind that of other industrial nations. As a percentage of total labor force, for example, in 1956 the labor movement of Sweden constituted 56.6 percent, that of Norway 39.4 percent, and that of Great Britain 37.1 percent.¹¹ In 1955, union membership here as a percentage of the nonagricultural employment was about 33.5; by contrast it was about 46.7 percent in the United Kingdom and 57.2 percent in Norway. In 1956, the same percentage in this country was about 34.0, whereas in Sweden it was 62.7.¹² A number of factors are probably responsible for the relatively low percentage of labor organization in this country, including the presence for so long of a vast land frontier, the heterogeneity of the working class, and the agricultural backgrounds of so many of the recruits to the industrial working class. It is highly probable, however, that the most important explanation consists of the fact that the human resource—labor—has been scarce relative to land in this country. As a result, rapid upgrading and advancement of working-class members made collective action on their part, especially in the past, seem less imperative than in the relatively crowded European nations and in England. It should also be noted that many white-collar employees such as school teachers and nurses who might be found in labor unions in many other nations are often found in professional associations in this country. Since 1960, however, these associations have taken on much of the behavior of labor unions and thus are only nominally different from blue-collar organizations.

¹⁰ Benjamin Solomon, "Dimensions of Union Growth," *Industrial and Labor Relations Review*, July, 1956.

¹¹ U.S. Department of Labor, *Directory of Labor Organizations: Europe*, Vols. I-II (Washington, D.C.: U.S. Government Printing Office, 1956).

¹² See Arthur M. Ross and Paul T. Hartman, *Changing Patterns of Industrial Conflict* (New York: Wiley, 1960) Appendix Tables A-4 and A-5, pp. 200-203.

Causal Factors of Growth

Theorists attempting to explain the union membership growth pattern have usually taken one of two principal approaches. One approach has been that of tying union membership trends to the business cycle. The other main approach has been that of attempting to explain membership growth in terms of multiple factors. Some studies of union membership growth have found little, if any, correlation between this phenomenon and cyclical fluctuations.¹³ As a matter of fact, Professor Bernstein found that union membership has fluctuated more sluggishly than economic concepts such as employment. As a result, this writer notes several long-run and short-run factors which have allegedly affected union membership growth. The long-run factors cited include (1) the expansion of the labor force over time, which has provided unions with an ever-growing membership potential; (2) the gradual development of the social acceptability of unionism; (3) the growing homogeneity of the labor force; and (4) the increasing use of union security clauses in labor agreements, which usually force an employee to become a union member within a stipulated period of time if he wishes to keep his job.

Short-run factors which affect the trends in labor union membership are grouped under the headings of *wartime periods* and *periods of social unrest*. During wartime periods, Professor Bernstein points out that booming prosperity, governmental encouragement of collective bargaining, the rise in labor's political power, the lessening of employer hostility, and the social tensions and dislocations which make it more essential that workers express their discontent are all powerful factors which account for the oft-repeated wartime spurt in union membership. As these factors disappear or are mitigated following the war, union membership growth typically levels off. Periods of great social unrest also produce short-run factors affecting the growth of union membership. Thus, the labor unrest which mounts as depression and unemployment are prolonged may bring an eventual increase in trade union membership.

A study covering the period 1949–1966 by Professors Krislov and Christian is of interest here in that it tends to strengthen the observation that union membership fluctuations are related to the business cycle.¹⁴ Thus a strong relationship was found (*a*) between union organizing efforts and cyclical indicators; (*b*) between the percent of union victories and

¹³ Irving Bernstein, *The Growth of American Unions*, Reprint No. 44 (Los Angeles: Institute of Industrial Relations, University of California, 1954).

¹⁴ Joseph Krislov and Virgil L. Christian, Jr., "Union Organizing and the Business Cycle," *The Southern Economic Journal*, October, 1969, pp. 185–88.

the indicators; and (c) between the number of union victories and voters selecting unionization, on one hand, and the indicators on the other hand.

Some students of the labor movement consider the general tendency for union membership in this country to decline from 1956 to 1963 to reflect serious internal and external problems which allegedly beset the labor movement.¹⁵ Thus, it is contended that union organizational structure must move in the direction of *general* unionism and the delegating of more power to the Federation by the national unions so that the AFL-CIO could initiate organizational drives and could encourage amalgamations of related unions. A recent example of an amalgamation or merger to accentuate labor power was the step taken in 1969 by four railway brotherhoods. The Trainmen, Locomotive Firemen, Conductors, and Switchmen united to form the United Transportation Union, with a membership of about 280,000. Only the Engineers among the original brotherhoods refused to take part in this merger. The vote on the merger was 97,728 in favor of the action and only 15,067 in opposition. Further, it is frequently noted that unions must find ways to appeal to many groups largely unorganized today and who are still relatively resistant to unionism. It seems reasonably certain that future growth trends in the labor movement will depend upon what happens to the various causal factors noted above and also upon the ability of unionism to appeal to and organize white-collar employees. An absence of international warfare plus a long period of relative prosperity would tend to continue the relatively slow pace of union membership growth which has obtained in most years since World War II. By the same token, a severe international conflict or the occurrence of a period of great social upheaval similar to that of the 1930's would undoubtedly stimulate once again the growth of membership in the labor movement.

A very important factor in the future growth pattern of this nation's labor movement must be recognized as the future attitude of white-collar personnel to unionization.¹⁶ To date, and despite feverish organizational

¹⁵ See Solomon Barkin, *The Decline of the Labor Movement and What Can Be Done About It*, A Report to the Center for the Study of Democratic Institutions (Santa Barbara, California, 1961).

¹⁶ For a detailed discussion of the problem of white-collar organization, see Everett M. Kassalow, "Organization of White-Collar Workers," *Monthly Labor Review*, March, 1961. Some have predicted that white-collar employees will become more highly organized in the future but that their organizations will be of the association variety and unidentified with blue-collar unions. However, such associations, it is contended, may well tend to behave more and more like labor unions. See George Strauss, "Professionalism and Occupational Associations," *Industrial Relations*, May, 1963, pp. 7-31. A good example of a white-collar, professional association which has recently been behaving somewhat more like a labor union is the National Education Association. Membership competition with the American Federation of teachers (AFL-CIO) has been a factor. See Lawrence Klein, "The NEA Convention and the Organizing of Teachers," *Monthly Labor Review*, August, 1964, pp. 882-85.

activities in the white-collar area by dominant unions, only about 19 percent of the approximately 16 million white-collar employees who are considered as "union potential" have been organized. The vast majority still remains unorganized in such industrial categories as retail and wholesale trade; federal, state, and local governments; manufacturing; insurance; and banking. While some national attitude polls have tended to show the majority of white-collar employees increasingly favorable to collective negotiation of some type, the trade union movement has not succeeded as yet in convincing the mass of white-collar employees that unionism is their best medium for collective action. The critical nature of this problem from the standpoint of the labor union movement can be best appreciated when it is recalled that white-collar workers have been growing much more rapidly in number than production workers and that this trend is expected to continue at an even more rapid pace in the future. By 1975, white-collar workers may outnumber production workers by a 1½-to-1 ratio. In fact, this may in large measure account for the very definite slowing-down of *real* union membership growth which has been observed since the 1940's.

Among the more highly unionized white-collar employees in this country are civilian employees of the federal government. Yet, while over four fifths of all postal employees are union members, only about a third of the 2.3 million civilian employees of the federal government are unionized. In January of 1962, the late President Kennedy provided what may prove to be some stimulus to further unionization. By executive order, No. 10988, unionization and collective bargaining for federal civilian employees were formalized—by setting out the rights of such employees to join a union and engage in collective bargaining—or to refrain from such action as the case may be. Many union leaders have referred to this presidential action as the *Magna Charter* for governmental employees. It may be significant that the growth in labor union membership from 17.5 million in 1956 to 18.8 million in 1968 was due to the growth of unionization among government workers. For example, from 1958 to 1968 when total union membership rose by about 1 million, over 435,000 were added by unions of government employees.

In 1967, President Johnson appointed a review committee to review the five years of experience which had just expired under order 10988. Among the committee's findings were the following: (1) a flourishing program was found to exist, whereas before the order there was often a complete absence of employee-management cooperation; (2) about 1,238,748 federal employees were found in 1,813 units for which exclusively recognized labor organizations were the bargaining agents; (3) these labor organizations had negotiated 882 agreements; (4) additionally, labor organizations representing federal employees had secured 1,172 grants of formal recognition and 1,031 grants of informal recogni-

tion; (5) over one million federal employees were found to belong to labor organizations; (6) there was a marked improvement in communications between federal agencies and their employees; (7) employees were found actively participating in the determination of their working condition; and (8) collective bargaining contracts had introduced a continuity and stability in labor-management relationships. Incidentally, most contracts were found to contain provisions for a grievance mechanism as well as one for the check-off of union dues.

Primary and secondary public school teachers constitute one group where union membership and collective negotiation have been growing rapidly since 1960. The American Federation of Teachers, organized in 1916, had a rather stagnant membership until the 1960's. Between 1960 and 1968 its membership rose from some 80,000 to about 165,000 principally due to its growing popularity in the larger school systems. A rival organization, the National Education Association, is much larger with over one million members as of 1968 and it has traditionally been more professional in behavior, generally shunning some of the more aggressive activities of unions. Since 1962, however, partly because of the rapid growth of the AFT and partly due to growing restiveness among the NEA membership, the NEA has changed its behavior so that very little difference now separates it behaviorwise from the AFT. Teachers have exhibited a high degree of militancy since 1965. While teachers' strikes varied from one to nine per year in the period 1960-65, they rose to 33 in 1966, 81 in 1967, and over 100 in 1968, despite the fact that most strike action of this group is considered illegal. Thus, here is a case where the labor movement, *per se*, may not be growing so rapidly but certainly *employee organization* and collective negotiation is growing apace as a professional organization condones union-type behavior. Another association with similar evolutionary developments is the American Nurses Association, which has been behaving more and more like a labor union in response to the growing dissatisfaction of the membership with purely professional activities. Also, faced with the fact that the strike may be illegal for nurses, this group has utilized such devices as "mass resignation" on a given date to achieve the effects of a strike and has won sizable victories in more than one city's hospitals as a result. Again—labor union membership does not reflect what is going on in the larger field of employee organization and collective negotiation. Naturally, the AFL-CIO would like to see these and other groups join the labor movement and only time can tell whether this will occur ultimately.

Public employee organization is growing rapidly in other areas besides those noted above. Thus, the American Federation of State, County, and Municipal Employees has experienced a pronounced and steady expansion of membership during the past decade, as has the American Federation of Government Employees, and both of these

entities are within the AFL-CIO. Additionally, the Fraternal Order of Police and the International Association of Fire Fighters have both been growing rapidly, behaving more like bonafide unions, and considering affiliation with the AFL-CIO.

While it is true that white-collar employees have become highly unionized in England and Europe during the past quarter of a century, this does not necessarily mean the same trend will be repeated in this country within the near future. The identification which the white-collar worker apparently has in this country with the managerial hierarchy is very powerful. The seeming repugnance of traditional union techniques and tactics to the typical white-collar employee is also quite apparent and constitutes an important deterrent to unionization. Thus, if the labor movement is ultimately to appeal to this group, it must utilize different approaches and tactics than it has used in the past with production workers. European and English unions learned this lesson some time ago. Unions in this country are apparently becoming increasingly aware of the need for new approaches. The serious intent of the AFL-CIO in regard to white-collar organizations may be seen in its decision in 1969 to "pass the hat" among its members to pay the \$220,000 fine levied by New York against the United Federation of Teachers, who struck in the fall of 1968 in defiance of the Taylor Law of that state. In connection with the dispute, also, the union president was sentenced to 15 days in jail. All of the New York City teachers participated in the strike more or less.

Another factor which may figure importantly in the future appeal of unionism to white-collar employees is the treatment thereof by the employing unit. If the firm anticipates the monetary and non-monetary needs and desires of white-collar employees and satisfies them to a reasonable degree, this may postpone or even prevent unionization of the group. If the employing unit fails to proceed in this manner, however, it may indirectly drive its white-collar employees to collective action via unionization.

Forecasts of future union membership growth in this country can be found which see continued growth in *real* terms, as well as those which see a shrinkage of membership in *real* terms. Invariably, the divergence of the forecasts hinges on the particular forecaster's assessment of the appeal of unionization to the white-collar employee over the immediate future. Only time and future developments will decide the course of the labor movement's membership size in both *real* and *absolute* terms.

MODERN CHARACTERISTICS AND TRENDS

The growth of the labor movement in this and other industrial nations has inevitably produced many evolutionary changes in the predominant characteristics thereof. It is also possible to distinguish certain develop-

ing trends at any given time which hold promise of future alterations in the predominant characteristics of the labor movement in any single society. Some of the more important of the modern characteristics and observable trends will now be discussed with relation to this nation's labor movement.

Type of Organization

There is little doubt that there has been a steady evolutionary change in the *type* of labor organization, as to scope, which has predominated in this country. From the 1790's until virtually the 1930's, *craft* unionism was definitely the principal form, dominating, as it did, both the national union level and the federation level of organization. With the arrival of the present century, however, *industrial* unionism gradually began to gain ground on craft unionism. This development culminated in a spectacular overtaking and passing of craft unionism by industrial unionism between 1935 and 1955. In the meantime, still another form of unionism has been gaining ground of late—*general* unionism. General unionism, which is best illustrated in this country by the Teamsters organization, is not restricted either to craft or to industrial boundaries. Its eventual scope of organization is highly indefinite. The Teamsters, for example, have been trying to organize city employees of all types,¹⁷ including law enforcement personnel. Famous District 50 of the United Mine Workers would constitute another good and fairly old example of general unionism. General unionism has also been developing in other nations during this century, as witness the Transport Workers Union in England or the Australian Workers Union of Australia. There are some who predict that general unionism of the Teamsters variety is the unionism which will predominate in the future as industries and corporations change their scope and nature.¹⁸ While this prediction may be borne out over the long run, the immediate future will probably see powerful craft, industrial, and general unions existing contemporaneously. It may be noted, however, that the transformation is gradually taking place, with the typical industrial union, for example, rarely restricting its membership to the original boundaries of the union.

Diffusion of Membership

Union membership as a percentage of nonagricultural employment is quite unevenly spread over the nation (see Table 12-2). As of 1953, the East-North Central states displayed the highest percentage of unioniza-

¹⁷ In May, 1961, the Teamsters succeeded in organizing 500 field hands engaged in the picking of lettuce in California. As a result, the firm in question—Antler—was expelled from the California Fruit Growers Association.

¹⁸ Paul Jacobs, in *The Corporation and the Economy* (Santa Barbara: Center for the Study of Democratic Institutions, 1959), p. 33.

Table 12-2 Trade union membership by states, 1939, 1953, 1966

State	Percentage of Nonagricultural Employment			State	Percentage of Nonagricultural Employment		
	1939	1953	1966		1939	1953	1966
United States	21.5	32.6	28.8	United States	21.5	32.6	28.8
<i>New England:</i>				<i>South Atlantic</i>			
Maine	7.2	21.4	19.9	(Continued)			
New Hampshire	7.3	24.6	19.0	*West Virginia	41.7	44.1	44.1
Vermont	11.4	18.9	17.1	North Carolina	4.2	8.3	6.9
Massachusetts	15.5	30.1	26.2	South Carolina	4.0	9.3	6.7
Rhode Island	10.2	27.4	26.8	Georgia	7.0	15.0	14.0
Connecticut	11.3	26.5	26.1	Florida	11.3	16.2	13.6
<i>Middle Atlantic:</i>				<i>East-South Central:</i>			
*New York	23.0	34.4	37.3	Kentucky	22.5	25.0	27.1
*New Jersey	16.1	35.2	31.3	Tennessee	15.3	22.6	18.9
*Pennsylvania	27.6	39.9	37.7	Alabama	16.1	24.9	19.2
<i>East-North Central:</i>				Mississippi	6.5	14.7	12.3
*Ohio	24.4	38.0	35.5	<i>West-South Central:</i>			
*Indiana	21.7	40.0	36.5	Arkansas	12.7	21.5	17.0
*Illinois	25.9	39.7	36.0	Louisiana	9.6	19.5	18.3
*Michigan	20.0	43.3	40.5	Oklahoma	10.4	16.1	15.0
*Wisconsin	29.1	38.3	32.1	Texas	10.3	16.7	13.7
<i>West-North Central:</i>				<i>Mountain:</i>			
*Minnesota	24.8	38.1	32.8	*Montana	36.7	47.0	34.0
Iowa	17.3	25.0	21.4	Idaho	13.7	21.5	18.4
*Missouri	21.9	39.7	35.6	Wyoming	26.7	28.6	20.4
North Dakota	10.9	15.6	14.2	Colorado	17.6	27.8	22.2
South Dakota	7.1	14.4	10.4	New Mexico	11.2	14.2	15.8
Nebraska	12.5	19.7	18.8	Arizona	16.6	27.7	17.9
Kansas	13.4	23.9	17.5	Utah	19.3	26.3	16.6
<i>South Atlantic:</i>				*Nevada	18.2	30.4	29.8
Delaware	7.8	18.4	21.8	<i>Pacific:</i>			
†Maryland	12.0	25.2	22.8	*Washington	41.3	53.3	40.3
†District of Columbia	21.7	21.2	—	Oregon	30.1	43.1	32.7
Virginia	12.8	17.4	15.5	*California	23.4	35.7	32.0

* States exceeding national average as of 1966.

† Maryland and District of Columbia combined for 1966 figure.

Source: Bureau of the Census, U.S. Department of Commerce, *Statistical Abstract of the United States* (80th ed.; Washington, D.C.: U.S. Government Printing Office, 1958), p. 235; *Monthly Labor Review*, May, 1966, p. 510ff; *Business Week*, December 14, 1968, p. 158.

tion, with 39.9 percent of nonagricultural employment consisting of union members. The Pacific states were in a close second place, with 39 percent of their nonagricultural employees being organized. These two areas, along with the Middle Atlantic area, exceeded the national percentage of 32.6 percent. Washington, Oregon, and West Virginia were the most highly unionized individual states in 1953. On the other hand, the South Atlantic and the West-South Central states were the least

unionized of all the geographical areas, with only 18.3 and 17.5 percent, respectively, of their nonagricultural employment being organized. The two Carolinas, as of 1953, were easily the least unionized states, since each state had less than a tenth of its nonagricultural employment within union membership rolls. The degree of organization in all southern states was and is relatively low.

The figures for 1964 reflect at once a general decline in the percentage of nonagricultural employees in unions as well as alterations in regional rankings. Thus, by 1964, the most highly organized region had become the Middle Atlantic states with a 38.5 percentage, followed by the Pacific states in second place with 37.2, and the East-North Central states in third place with 35.6 percent of nonagricultural employees in unions. The two Carolinas still registered the lowest percentage of organization while the southern states in general were low as in 1953 but with some progress shown in this region. Washington still displayed the highest percentage of organization, but Oregon had lost out to New York, Pennsylvania, and New Jersey. West Virginia still occupied second place in 1964.

The labor movement's membership is quite unevenly distributed, industrially as well as geographically. As of 1966, almost 46 percent of total union membership was found within the manufacturing industries, about 45 percent existed within nonmanufacturing industries, and only about 9 percent consisted of governmental employees.¹⁹ The nonmanufacturing subdivision providing the highest percentage of union members was transportation, in which about 13.3 percent of total union membership was resident. Finance and insurance as well as agriculture and fishing, on the other hand, each furnished less than 0.7 percent of total union membership.

Industrial categories which are most heavily organized would include manufacturing, mining, contract construction, and transportation. These industries have all the way from 80 to 100 percent of their employees organized. At the other end of the scale, less than 20 percent of employees would be found to be organized in categories such as trade, finance, agriculture, and government.

Union Power Centers

There has been a rather significant evolution in the locus of power within the labor movement pyramid since its early beginnings. From 1792 until the end of the Civil War, the local union was the most powerful organizational unit. Since the latter part of the nineteenth century, however, and especially since the 1930's, the national union has

¹⁹ Bureau of Labor Statistics, U.S. Department of Labor, *Directory of National and International Labor Unions in the United States*, 1967 Bulletin No. 1596 (Washington, D.C.: U.S. Government Printing Office, p. 59-63.

definitely come to be the most powerful unit within the labor movement. In some industrial nations the shift in power has not stopped at this point. The national federation of labor wields immense power via collective negotiation, the payment of strike benefits, and in other ways in the Scandinavian countries, for example. In the United States, however, the AFL-CIO does not enter into bargaining activities and does not have power to pay or withhold strike benefits. The AFL, from its inception, has always permitted a high degree of autonomy for its affiliates. Actions by the Federation in recent years, as in the case of the expulsion of the Teamsters, referred to earlier in this chapter, may herald an assumption of somewhat more power by the Federation than has been true of it in the past. It should be noted that the shift in the union power center from the local union to the national union has accompanied and, perhaps, in part has been a result of a similar shift in power centers within industry from the small local firm to the large national producer or distributor.

Unions and Government

Still another evolving characteristic of the labor movement has been the gradually increasing reliance on governmental intervention—both in the personal interests of the individual worker and in the institutional interests of unionism and collective bargaining. From its origin in 1886 until the early 1930's, the AFL was definitely opposed to such governmental programs as unemployment compensation and old-age benefits. The craft unions which largely made up the AFL had traditionally held these functions to be within the craft union's services to its members. With the coming of the economic catastrophe of the 1930's, and with the rise of industrial unionism, the labor movement's views shifted toward wholehearted support of governmental social security programs.

By the same token, the AFL for a time believed in little or no governmental intervention in industrial relations. From the World War I period on, however, and especially since 1930, the labor movement has increasingly supported governmental protection and encouragement of collective bargaining and unionism. A subsequent development, which understandably has not been supported by the labor movement, has been the marked increase in governmental *regulation* of unionism—internally and externally—since World War II. This latter development was an inevitable result of the growth in power, economic and political, achieved by organized labor. Other institutions, such as the business corporation, have experienced a similar sequence of developments.

Union Leadership

While unionism has been undergoing many evolutionary changes with its maturation, so union leadership has been changing markedly in

character. This development has been especially true at the national union level. The old-time labor union leader, who came up through the ranks, and who pictured himself as leading a "cause," is still to be found, but his species is on the wane. In his place increasingly is the more professional type of leader, who often looks and acts much like his management counterpart, and who desires to "get along with management" and to "make a good appearance."²⁰ He still comes up from the ranks, however, but being better educated and better dressed, he is more sophisticated than his early counterpart.

The change in the nature of national union leadership, along with the growing complexity of collective bargaining, has directed the typical national union to an increased use of university-trained experts in staff positions. Thus, the major national unions today often maintain staffs of legal experts, statisticians, accountants, and economists. The "intellectual" has been and often still is looked upon with suspicion by the union member and the local union. The greater need for his kind, however, as the national union has become the locus of collective bargaining power and influence, has done much to make the intellectual somewhat more palatable to the union member. If for no other reason, he may accept him because his national union leadership assures him that only in this way can the national union hope to match the bargaining power of the corporation, with its staff experts. More often, probably, the local union member may not even realize that the parent body of his local is increasingly relying upon intellectual experts, since he is far removed from the actual scene of bargaining action.

Even with greater use of experts, however, the typical national union has failed to utilize them in a strictly staff sense. That is, the experts are often not used to advise the line officials, as is usually the case in the corporation. Rather, certain aspects of collective bargaining are frequently turned over to the experts by leadership, with the experts performing certain decision-making functions more or less independently of the union machinery.²¹

The Union Membership

While the union and its leadership have undergone many changes, so also have changes occurred in the union membership with the passage of time and the growth of affluence. In July, 1967, the AFL-CIO published a poll taken by a professional pollster—John Kraft—at the request of the

²⁰ George W. Brooks, in Jack Barbash (ed.), *Unions and Union Leadership* (New York: Harper & Bros., 1959), p. 32. The national union leader still comes up through the ranks, but he is much more professional in nature, and he is aided by a corps of professional technicians in his decision-making activities.

²¹ *Ibid.*, p. 33.

federation who wanted a profile of union membership.²² Among other things, this poll disclosed the following about union membership: about 50 percent of union members are suburbanites, with 75 percent of those under 40 living in the suburbs; almost a third of union families earn from \$5000 to \$7,500 yearly, with another 46 percent having incomes of \$7,500 to \$15,000 per year; about 50 percent of union members are under 40 years of age, with 25 percent being under age 30; about 20 percent of the members are women; about 13 percent of the membership is black; 54 percent of the members have been in a union for 10 years or longer while a fourth have belonged for 5 years or less; 58 percent are Democrats, 16 percent are Republicans, and 17 percent are independents, leaving 9 percent who are not certain what their political status is; a majority of the members opposed their leaders on only one legislative issue—open housing—with 43 percent supporting open housing, 46 percent opposing it, and 11 percent not sure.

Thus, the typical union member is quite a different person from his antecedents. As a suburbanite, he is more affluent and more conservative. Like other suburbanites, he is concerned with such local problems as tax assessments, street repairs, school bond issues, and the like. He is still quite concerned, however, about more vital labor issues such as unemployment, wages, civil rights issues, and the high cost of living. The Vietnam War also ranks high among his concerns. Whatever the changing characteristics of the nation's union members may portend, they definitely point up the need for closer study of the membership by union leadership as it seeks to be responsive to wishes of the membership and also to perpetuate itself in office at the head of the union.

Labor Movement Unity

Although the labor movement of this nation might appear to be highly united since the merger of the once rival federations, paradoxically it may be that the movement is more divided today than in any other modern period. It is true that the merger allegedly united the craft and the industrial unions after a 20-year breach. It would be a mistake to conclude from this, however, that these two rival approaches to unionization are peaceful bedfellows. Almost as soon as the merger began to take shape, rumors were circulated that some industrial unions might drop out of the AFL-CIO. The 1968 secession of the UAW finally confirmed these rumors. Other rumors have been heard that a rival federation might be formed. While this had not occurred as of 1969, in 1968 the UAW and the Teamsters, largest of the "independents," formed the

²² "A 'Profile' of Union Members: Who They Are, What They Think," *U.S. News & World Report*, July 24, 1967, p. 75.

Alliance for Labor Action allegedly to cooperate in tackling difficult social problems. While the two unions have maintained this does not constitute a merger or the nucleus for a rival federation, nevertheless the new body will be watched carefully for signs that a rival for the AFL-CIO might emerge.

Further complicating intraunion movement disunity has been the discontent of nonwhite unionists who have repeatedly charged the movement with racial discrimination. As a result, top union leadership has been kept on the defensive in their attempts to keep this fissure from widening.

One force which might drive rival labor groups more closely together is the pressure of restrictive legislation. In the past, adverse governmental action has often caused organized labor groups to close ranks so as to strengthen their position. Perhaps some future legislation to curb massive strike action which has been predicted by some may have this effect if such legislation materializes.

SUMMARY

From 1790 to 1849, the base of the labor movement pyramid in this country was constructed with the establishment of local unions of a craft nature. These unions were for many years temporary institutions, which wielded little real power and were constantly repressed by judicial decisions. From 1850 until 1865, the midsection of the labor movement pyramid became reality as national unions were formed to unite local unions of a given craft. With the birth of the AFL in 1886, the apex of the labor movement pyramid—federation—was assured, due to the wise and expert leadership of Samuel Gompers and his associates, who introduced business unionism to the American scene.

The labor movement of this nation has undergone many internal and external stresses and strains during its history. Internal stresses have been sharpest relative to the issue of craft unionism versus industrial unionism, an issue which split the AFL from 1935 until 1955, when the uneasy merger—AFL-CIO—was instituted. External strains have generally come from antiunion employers and their associations, although until the 1930's, governmental obstructions were much in evidence as well. The peak in *real* union membership to date was reached during the 1950's. From 1960 through 1964, both absolute and real union membership declined somewhat, with absolute membership recovering lost ground and more after 1964. Real union membership still suffers, however, as the labor force continues to grow more rapidly than union membership. The future of the labor movement may rest on its ability to adapt to the changing industrial scene with a still newer structural form

of unions, as well as on its ultimate appeal to the rapidly growing nonsupervisory white-collar employees.

DISCUSSION QUESTIONS

1. Why do not labor movements begin with the organization of the lowest paid workers in industry instead of with the skilled segment?
2. Courts of almost every free enterprise nation have adjudged early unions criminal conspiracies. Why?
3. In your opinion, why did the world's first labor parties, the workingmen's parties of this country in the 1820's, fail to merge into a national labor party, as found in other nations?
4. What was the real significance of the famous court decision in Massachusetts in 1842 in the case of *Commonwealth v. Hunt*?
5. Many labor leaders in all young industrial nations have thought that the producer and consumer cooperative movements would constitute labor's salvation. Why have they been disappointed, in your opinion?
6. Comment on the general long-run failure of the utopian societies of the early 1800's, searching for basic reasons for their failure.
7. Enumerate some of the pertinent reasons for the nationalization of unions in this country, starting with 1850.
8. What were some of the "mistakes" of the Knights of Labor which spelled its eventual doom?
9. What were the major reasons why the AFL under Gompers succeeded while the Knights of Labor was declining?
10. Discuss the decline of union membership from 1920 until 1931, noting the principal explanations of the trend.
11. In what ways might the AFL split in 1935 be termed the growing pains of a labor movement in transition?
12. Do you expect *real* union membership to continue to decline over the immediate future? Why?
13. What are some factors which might make it imperative for the industrial union to give way to the general union, just as the craft union gave way to the industrial union in the 1930's?
14. How do you account for the uneven growth of unionism geographically?

SELECTED READINGS

- BARKIN, SOLOMON. *The Decline of the Labor Movement*. Santa Barbara, California: Center for the Study of Democratic Institutions, 1961.
- BERNSTEIN, IRVING. *The Growth of American Unions*. Reprint No. 44. Los Angeles: Institute of Industrial Relations, University of California, 1954.
- COMMONS, JOHN R., and ASSOCIATES. *History of Labor in the United States*. 2 vols. New York: Macmillan Co., 1918.

- ESTEY, MARTIN. *The Unions: Structure, Development and Management*. New York: Harcourt, Brace & World, Inc., 1967.
- LITWACK, LEON. *The American Labor Movement*. Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1962.
- MIERNYK, WILLIAM H. *Trade Unions and the Age of Affluence*. New York: Random House, 1962.
- PERLMAN, SELIG. *History of Trade Unionism in the United States*. New York: Macmillan Co., 1922.
- PIERSON, FRANK C. *Unions in Postwar America*. New York: Random House, 1967.
- RAYBACK, JOSEPH G. *A History of American Labor*. New York: Macmillan Co., Rev. Ed. 1966.
- SHISTER, JOSEPH. "The Logic of Union Growth," *Journal of Political Economy*, October, 1953.
- SOLOMON, BENJAMIN. "Dimensions of Union Growth," *Industrial and Labor Relations Review*, July, 1956.
- SULTAN, PAUL E. *The Disenchanted Unionist*. New York: Harper & Row, Publishers, 1963.
- TYLER, GUS. *The Labor Revolution*. New York: The Viking Press, 1966.
- WOLMAN, LEO. *Ebb and Flow in Trade Unionism*. New York: National Bureau of Economic Research, 1936.

UNION STRUCTURE AND GOVERNMENT

The labor union has developed its own peculiar organizational structure and government during its evolution as a significant institution in the industrial society. While many variations may be found among the unions of a given nation as to structure and government, reflecting certain peculiarities of specific labor relations environments, the similarities to be found among the unions in a nation with respect to structure and government are impressive. In the main, it may be said that union structure and government have taken forms considered suitable to the facilitation of the principal function of labor organization—collective bargaining. It is also apparent that the structure and government of the typical trade union are greatly influenced by the structure and government of the industrial firms with which it bargains, as well as by the political institutions of the nation itself. Thus, for example, decentralization of economic and governmental functions appears to characterize unions in highly competitive industries wherein economic power is highly decentralized in so far as the firms are concerned. By contrast, a high degree of centralization of union economic and governmental functions is typically found in unions existing within industries in which few firms reside and in which economic power on the employer's side is highly concentrated.¹ Similarly, the structure and government of unions within a free enterprise democracy reflect the democratic characteristics to be found within such a nation's political institutions, whereas the trade union structure and government found within a totalitarian society reflect the more dictatorial aspects of such a nation's governmental institutions.

¹ Exceptions to this would seem to be the coal-mining and garment industries, where unions are highly centralized despite the highly competitive nature of the industries. Perhaps the scope of market is another influence, then, which would account for the degree of union centralization.

It will be the objective of this chapter to analyze salient features of union structure and government as found in the United States. The analysis will consider not only the structure and government of the *individual union*, but also the more comprehensive structure and government of *federations of unions*. Related aspects of unionism included within the chapter's confines are the financial operations of unions, the degree of democracy to be found within labor organizations of this country, and the problem of racketeering or corruption as faced by labor unions.

STRUCTURE AND GOVERNMENT OF THE INDIVIDUAL UNION

The typical individual union structure in this country consists of a base of varying numbers of local unions which are linked together more or less cohesively by a national or international organization. The whole comprehensive unit may be craft, industrial, or general in character, depending upon the scope of membership. Between the "locals" and the parent organization of a large national union will be regional or district offices to facilitate the implementation of overall programs and policies.²

The Local Union

Even though the local unit's prestige has slipped somewhat over the past quarter of a century while that of the national union has risen, the local union still remains the basic unit of labor organization. This is true because it is the local union which comes into direct contact with the rank-and-file union members, sees to the enforcement of the labor contract (even though the national union may have negotiated it), and implements the policies and programs of the national union. In addition, the local union is responsible for maintenance of a unified and disciplined membership, the solicitation of new members, the collection of fees, dues, and assessments; the processing of employee grievances; and the conduct of strike votes.

While, as noted above, the long-run trend line of union unit influence has favored the national union over the local union, it may be observed that the local union has experienced some resurgence of influence over the last decade. Thus, they have, on occasion, caused the failure of strikes in which they had little enthusiasm; refused to ratify a contract

² Atypically, there are simple union structures in which a local union functions as a completely independent organization. It may, on occasion, be a local which has withdrawn or has been expelled from some national union; or again, it may be a local for a new trade or industry for which no national union has yet been formed. The history of such independent locals has shown a tendency for them either to wither away or to become affiliated with some appropriate national unit which may have been newly created or which may have been in existence for some time.

here and there which the national union had negotiated; and helped bring about the defeat of national officers who may not have dealt as wholeheartedly with the problems of local unions and their members as desired. Some of the most difficult collective bargaining problems in such important areas as steel and autos have been found at the level of the local union during the last decade. Often the result has been a giving by the national union of more leeway to the local affiliates including, perhaps, even the right to strike on their own.³

Local unions, of which there were approximately 76,000 in this country as of 1966, vary greatly in size from a handful of members, literally, to more than 36,000 members (UAW Local 600 at Ford Motor Company River Rouge plant). Average membership is probably someplace between 200 and 300 members. Since most local unions are affiliated with a national union, it is typical for locals to possess a charter issued by the parent organization, which, along with the local's constitution⁴ and bylaws, constitutes the basic law under which the local entity functions. The local union's constitution and bylaws must conform to the constitution and bylaws of the national union, which accord varying degrees of autonomy to the local unit. The local union, of course, has its share of voice in the choice of national union elective officials and in the legislation of national union bylaws.

The local union's elective officials commonly consist of a president, a secretary-treasurer, a business agent, and varying numbers of shop stewards. The first two officials named are usually part-time unsalaried functionaries, although in the larger locals the secretary-treasurer may be a full-time salaried officer. The business agent, on the other hand, is almost always a full-time salaried officer.⁵ Local union officials, other than the business agent, actually have little power of any importance, with the office being more a badge of prestige than anything else.

The business agent is the key figure in any local craft union. Often, he may have been the organizer who formed the local originally and then remained as its business agent. His term of office and that of other officials at the local level is usually a one-year term; but he may be, and usually is, reelected. The major functions of the business agent include working with and advising other local officials, investigating complaints of union members, taking charge of the local's expenditures, attempting to sign new members, negotiating with the employer, and accompanying

³ Leonard Sayles and George Strauss, *The Local Union* (New York: Harcourt, Brace & World, Inc., 1967), p. 163.

⁴ The constitution is usually a short, simple document which defines the union's jurisdictional boundaries and establishes the basic rules of membership.

⁵ An exception should be noted here with respect to larger industrial locals; namely, they rarely have a business agent, but, due to their size, they frequently have full-time salaried officers.

shop stewards or grievance committeemen to meetings with company officials to process workers' grievances. The success or failure of the local union may very well depend upon the skill and ingenuity of its business agent. The business agent in this country's craft unions is an adaptation of the English organizational system wherein that functionary is the operating executive officer. At the same time, theoretically at least, the other English union officers are primarily policymaking as to function.

In the industrial union, very important local officers are the union's shop stewards, who represent the whole union organization at the shop level. The stewards are usually plant employees who are granted super-seniority by the labor contract and who are also allowed to adjust grievances on company time and at no loss of pay. The contract, however, may set a limit on how much of the steward's working time may be devoted to union business. The steward seldom receives pay from the union itself. The union may train its stewards, however, and furnish them with handbooks. Some firms maintain training programs designed to develop foremen and stewards alike. The steward is the union's counterpart of the employer's foreman; and together, these individuals have much to say about the quality of day-to-day labor relations in the shop. In addition to processing employees' grievances, the steward sees to the day-to-day administration of the labor contract in the union's interests.

The basic governing body of the local union is its periodic membership meeting in the local union hall or lodge. Theoretically, local union government would appear to resemble the pure democracy of the old New England town. In actuality, members are typically apathetic toward their duties as members, rarely attending meetings in large numbers unless an important election or a strike vote is at stake. Thus, the government of the typical local is left to a minority of its members who do attend the meetings or, perhaps, to the executive committee of the local. Nevertheless, the local union meeting is important to the whole union structure, with delegates to the national union's conventions being elected therein, and with many of the national union's constitutional changes or policy revisions often being presented first at the meetings of the sundry local affiliates.

The National or International Union⁶

The national union, of which there were 190 in this country as of 1966, has become the most powerful and influential unit in the entire labor movement structure. National unions vary in size from the small national

⁶ The term *international union* usually is merely indicative of the fact that the national union in question has affiliated locals in Canada or Mexico.

organization of Siderographers (29 members in 1966) to national bodies like the Teamsters, Auto Workers, and Steelworkers, each of which has well over 1,000,000 members.⁷

Government

The basic law of the national union is its constitution, a document which may vary from a dozen pages to a highly detailed instrument of over 300 pages. Within the pages of the typical constitution will be statements of the purposes and objectives of the organization, the definition of its jurisdiction, the outline of its governmental structure, the powers and duties of its affiliated locals, membership requirements, rules of membership discipline, and limitations upon union fees, dues, and assessments. The constitution, originally drawn up by delegates of the local unions which created the national union, may usually be easily amended either by convention action or by referendum of local unions. Many unions have added amendments to their basic law at almost every convention.

The legislative body of the national union is its national convention, which is convened annually or biennially by a majority of national unions, although a large minority hold conventions less frequently. Generally speaking, the larger the national union, the more apt the convention is to be a biennial occurrence rather than an annual one. This is largely due to the expense involved in assembling the numerous delegates of a large national union. Local unions typically send delegates to the national convention in proportion to their paid membership, as indicated by the revenue from dues remitted by the local unit to the national body. Voting power is also related to paid membership but is usually not strictly proportionate. That is, most union constitutions weight voting power somewhat in favor of the smaller locals as opposed to the larger units. By way of example, locals with 100 or less members might be accorded one vote while locals with 500 or fewer members might be given only two votes. Nevertheless, the tying of voting power in part to paid membership acts to assure the national union that its local affiliates will remit to the parent body the funds due it.

The national convention is conducted much like that of a major political party, with a large share of the important work being handled by standing committees and many of the key decisions being hammered out in the proverbial "smoke-filled rooms" apart from the convention floor itself. Political maneuvering, so typical of a political party convention, is to be found at the convention of the typical national union. Even

⁷ Bureau of Labor Statistics, U.S. Department of Labor, *Directory of National and International Labor Unions in the United States*, Bulletin No. 1596 (Washington, D.C.: U.S. Government Printing Office, 1967).

the names of the standing committees sound like those named for a political party convention: Credentials Committee, Constitution Committee, Resolutions Committee, and Grievance Committee.

In addition to the enactment of legislation (bylaws), the national convention nominates and elects a president, a secretary-treasurer, and varying numbers of vice presidents.³ The nomination of candidates is handled by a vocal roll call of local affiliates, with the balloting in the subsequent election of officials also conducted in this manner. Again, the similarity between these procedures and those carried on by the national convention of a political party is apparent. While political "deals" may be made behind the scenes which virtually assure the election of a given slate, occasionally a close electoral battle will develop on the convention floor itself.

The president, as the highest administrative official of the national union, appoints heads of service departments and other staff personnel, calls meetings of the Executive Board, and acts as the official spokesman of the union for the press. The secretary-treasurer, the only other important officer of the national union, receives from the locals the per capita tax due the national body, invests the union's funds, supervises the payment of bills, and makes financial reports to the national convention and to the Executive Board. The vice presidents seldom have any overall administrative responsibilities and usually are presidents of influential locals affiliated with the national organization. Many industrial unions have established a regulation whereby the elected district director automatically becomes an international vice president of the union.

Between national conventions, the affairs of the union are typically administered by the two top elected officials with the aid of staff personnel and the advice of the Executive Board. The latter group typically consists of the president, the secretary-treasurer, the vice presidents, and the directors of the union's regional offices. The Executive Board usually works out financial problems, determines strike strategy when necessary, organizes membership drives, attempts to solve jurisdictional problems, decides upon most union policy, and plays an important role in the national convention via its committee-appointing powers. Occasionally, the Executive Board will name a Policy Committee of board members located nearest the national headquarters of the union to devote day-to-day attention to policy formation.

A large national union will maintain a number of regional offices, each in charge of a regional director. These offices will be located in strategic areas to serve and represent the local affiliates of the respective districts. Among other things, the regional offices will assist local unions in organi-

³ Some national unions, it should be noted, elect their officers by a referendum vote by the membership.

zational drives, in contract negotiations, and in explaining and implementing the policies of the national union at the local level. The regional director must usually pass upon all contracts negotiated within his region. If he finds violations therein of national union policies, he will order a renegotiation of terms to eliminate the objectionable features.

Control over Local Unions

The national unions vary somewhat in the degree of control maintained over their local affiliates. In any event, the national body may revoke a local union's charter, expel or suspend local union members guilty of serious infractions of union regulations, and attach the funds of the local, if it fails to send in its required per capita tax or if it defies orders of the national union.

Most national union constitutions provide for placing a local union in trusteeship under certain conditions.⁹ Thus, a local may be placed under trusteeship in order to restore freedom and democracy to the local union's membership, to assure performance of union contracts, or to permit a reorganization of finances where a national union's audit thereof has uncovered irregularities. All reputable national unions employ the trusteeship device sparingly, since its overuse or misuse would drive local affiliates away from the parent body. Since 1959, the Landrum-Griffin Act has provided that trusteeships may not be maintained for a period longer than eighteen months, unless the national union can show clear proof of a need for a longer trusteeship.

Membership rules are also to be found within the scope of a national union's constitution. These may vary all the way from the broad general rules of the typical industrial union to the more specific and restrictive rules of the craft union. The latter are often designed to control the supply of labor admitted to a given craft and, in the past, were often discriminatory with respect to such groups as alien workers, female workers, and nonwhite workers. Membership rules found in many constitutions include a prohibition against admitting as members any persons found to belong to subversive organizations. In general, it may be said that the industrial union is anxious to admit as many workers within a given industry as possible and hence utilizes few membership restrictions. The craft union, with its inherently potential monopoly over a given skill or craft, often uses restrictive membership rules in order to

⁹ A study in 1959 of 114 national unions with a total membership of 17.5 million found 67 unions with a membership of 12 million having constitutional provisions for trusteeship. The remaining 47 had no such explicit provisions, but all of the union constitutions provided for suspension/revocation of the local's charter under stipulated conditions. Harry P. Cohany and Irving P. Philips, "Trusteeship Provisions in Union Constitutions," *Monthly Labor Review*, November, 1959, pp. 1191-97.

maximize earnings of craft members. Such rules may include rigid rules of apprenticeship and rules admitting as new members only those closely related to current members.

As is necessary in other organizations, the labor union finds it essential to maintain and enforce certain rules designed to enhance the solidarity and discipline of the membership. Thus, for such important offenses against the union as aiding an employer or a rival union in breaking a strike, the offending member or members may be expelled following a hearing conducted by the union. For less serious offenses the member may be suspended for a period of time and/or fined. Obviously, expulsion may constitute a very serious experience for a union member—especially if it means, as it may, inability to secure employment of the type accustomed to within a given locality. Most unions expel members infrequently, since most union members would not commit major offenses against their organization, and also because no national union is anxious to reduce its membership drastically. Under the provisions of the 1959 Landrum-Griffin Act, a union is required to serve written charges on a member accused of violating union regulations; give him time to prepare his defense; and provide him with a fair hearing.

Services to Local Unions

The national union furnishes many services for its locals, in addition to disciplining and governing them. Thus, the parent organization may negotiate uniform contracts for locals or aid the locals in this matter. Money may be loaned or given to a local by a national organization if the local finds itself in dire straits. Support and aid to a local during a strike is also forthcoming from the national union, including small strike benefits.

Besides the above more or less emergency types of service, the national union typically maintains service departments which work constantly to provide numerous routine but important services for the locals. These service departments usually include a research department, a publicity and public relations department, a legal department, and an education department. The *research department* carries on research as to wage trends, cost-of-living trends, profits trends, and any other developments which might buttress the local or national union's bargaining position in the next round of negotiation with the firm. As the name implies, the *publicity and public relations department* is in charge of the union's publications, with most national unions circulating one monthly publication, at least. In addition, this department strives for the best possible publicity in the general press, radio, and television media, and will furnish speakers upon request for various clubs and organizations outside of the labor family. The *legal department* is staffed with legally

trained personnel who act as legal advisers to officers of the national union as well as to the local affiliates. The drafting or approval of contracts and contract provisions comes within the services furnished by this department. Finally, the *education department* sponsors short courses, conferences, and night schools designed to raise the educational level of the membership and especially of the union's leaders or potential leaders. One of the outstanding examples of this type of service is the unique Training Institute established by the International Ladies Garment Workers Union in 1950 under the direction of David Dubinsky. Lecturers for the Institute have included academicians, journalists, political figures, and labor leaders. During the 1960's, several prominent unions have launched educational programs for the training of staff members and officers and/or persons aspiring to such positions.¹⁰ Included among those unions pursuing this facet of labor education are the Communications Workers, the International Ladies Garment Workers, the United Auto Workers, and the Steelworkers. Most of these ventures are being held on college and university campuses and with the aid of planning and counseling by academic personnel. However, the unions tend to insist that pragmatic materials and topics must predominate over the more theoretical subject matter which may be closest to the academicians's heart.

In addition to the usual service departments discussed above, large industrial unions that bargain with large corporations, which are often nationwide in scope, frequently maintain *corporation departments*. There is, typically, a separate department set up for each large corporation with which the national union bargains. The details of bargaining with the corporation in question and with its subsidiaries are all handled in the appropriate specialized department.

National Union Headquarters

The location of national union headquarters in this country exhibited a high degree of geographic concentration as of 1962. The 120 national unions studied by the Department of Labor, comprising over four fifths of total union membership, had their home offices in eight cities. Washington, D.C. was the most popular site, with 51 national unions having their headquarters there as does also the AFL-CIO. New York and Chicago ranked second and third, respectively, with 28 and 15 home offices located in the two cities. Other cities having several union headquarters within their confines were Philadelphia with six, and St. Louis, Detroit, Cleveland, and Cincinnati, each with five union centers. The

¹⁰ For a succinct and recent account of this development, see Brendan Sexton, "Staff and Officer Training to Build Successful Unions," *Industrial Relations*, February, 1966, pp. 83-96.

principal location considerations for national unions would thus appear to be both political and industrial in nature and probably in that order.

COMPREHENSIVE UNION GOVERNMENT

For most national unions in this nation (and in most other industrial nations), union government does not stop at the national union level but extends to the level of a federation of national unions. Since 1955, this level of union government in the United States has been structured by the merged federation, the AFL-CIO. As originally set up in 1886, the AFL was more of a *confederation* than a federation, since it truly constituted a very loose union of relatively autonomous national unions. The AFL-CIO appears to exercise somewhat more authority over its affiliates than was true of the old AFL, as its actions relative to the suspension and expulsion of affiliates during the late 1950's indicate. It should be noted that probably the most important reason for the degree of autonomy possessed by national affiliates is the fact that many national unions had been formed before the AFL. They had become used to self-government and did not choose to delegate too much power to the central government (the federation). Thus, the suspicion of strong central governments which had been rife in this nation since its colonial period had its counterpart in the attitudes of union members. Down through the years since 1886, the national unions have jealously guarded their autonomy against any serious encroachments by the Federation.

The Federation, like the local and national unions, possesses a constitutional, republican form of government. The constitution of the AFL-CIO is a relatively lengthy document approved by delegates from the various national affiliates. In general, the new constitution is more restrained in language than the original AFL constitution, which was saturated with class-conscious and even evangelistic phraseology. Thus, the new constitution typifies the maturity of modern unionism, which has a tendency to be more moderate in outlook and attitude than its origins.¹¹ As an outgrowth of the reason for the 20-year split between the AFL and the CIO, the new constitution recognizes both craft and industrial unions as "appropriate, equal and necessary" and includes the proviso that conflicting jurisdictions are to be voluntarily adjusted. Contrary to earlier practices of craft unions, the constitution states that membership is to be denied to no one because of "race, creed, color or national origin."

Structure of the AFL-CIO

The basic legislative and policy-determining body of the AFL-CIO is its biennial convention. Each national union affiliated with the Federa-

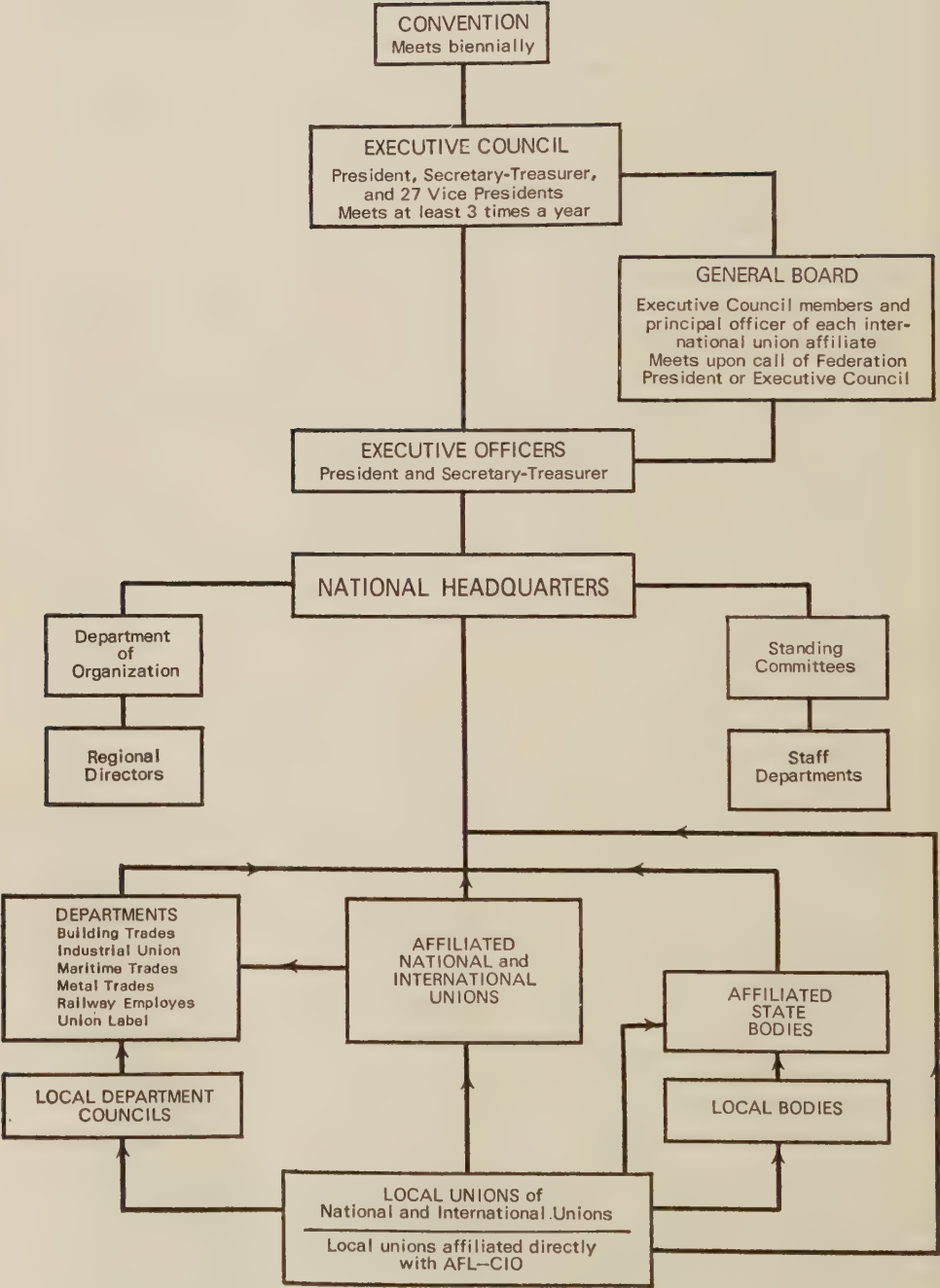
¹¹ John Hutchinson, *The Constitution and Government of the AFL-CIO*, Reprint No. 119 (Berkeley: Institute of Industrial Relations, University of California, 1959).

tion sends delegates to the convention in proportion to its paid membership. In addition to enacting bylaws and approving policies, the convention elects two executive officers, a president, and a secretary-treasurer. These officials are elected theoretically via a vocal roll call of national affiliates on the floor of the convention. In actuality, the issue is often not in doubt by the time the balloting starts, due to political maneuvering outside the convention hall. Thus, the Federation, like the national unions, conducts its convention in much the same manner as do the major political parties of this nation.

Between the biennial conventions the major governing body, and one which has much power, is the Executive Council, composed of the two executive officers and 27 vice presidents who are also elected at the biennial convention. This Council carries out policies determined by the convention and resolves any issues which may arise in the interim period. The Council may also investigate, try, and suspend any affiliate charged with being communist-dominated or guilty of corrupt practices. The Council meets at least three times a year. In addition to the Executive Council, there is one other administrative agency: the General Board. The General Board consists of the Executive Council and a principal officer of each affiliated national union, as well as an officer from each trade and industrial department. This body meets at least once a year to consider major policy questions which are referred to it by the Executive officers. (See Figure 13-1.)

The trade departments referred to in the foregoing discussion are now six in number. They were originally set up to deal with jurisdictional disputes within given areas and also to further the aims of related affiliates having certain mutual goals or interests. Five of the departments existed in the AFL and include the Building and Construction Trades Department, the Metal Trades Department, the Maritime Employees Department, the Railway Employees Department, and the Union Label Department. The last department named is an association of unions utilizing the union label as a technique to aid in marketing union-made goods and to make labor organization universal within such industries. Thus, this department has no other purpose except to promote the union label. The sixth department was added when the merger was achieved in 1955 and is known as the Industrial Union Department. This department is obviously the successor to the CIO and it is open to all industrial unions within the AFL-CIO. As of 1959, there were 71 unions listed under this department. The primary purpose of the department is to promote the interests of industrial unions. To facilitate this objective, the department has its own executive officers in addition to a director, an Executive Committee, and an Executive Board. This department also convenes a national convention biennially. The functions and operations of the department are obviously much like those of the former CIO.

Figure 13-1 Structure of the AFL-CIO



Functions or Services of the AFL-CIO

In addition to the general function of providing labor organizations with more cohesion and prestige, the AFL-CIO performs a number of other functions for its affiliates. For example, the Federation is committed to helping organize the unorganized segments of the working class, with special emphasis upon white-collar employees and working-class members at all levels in the largely unorganized South. Another major function consists of securing favorable labor legislation at state and federal levels via lobbying activities in state and national capitals as well as by attempting to assure the election of "friends" of organized labor to state and national legislative bodies. In this connection, both the AFL and the CIO maintained committees after 1940 to attempt to register and direct working-class voters. The CIO's agency was the Political Action Committee, while the AFL's unit was called Labor's League for Political Education. Since the merger, these agencies have been combined in the Committee on Political Education (COPE), with functions similar to those of the two committees from which it originated.

The Federation has also assumed the function of preventing or resolving jurisdictional disputes between rival affiliates. Prior to the 1955 merger, both federations had set up machinery for handling jurisdictional disputes, and there was also a "no raiding agreement" until a combined agreement could be drafted. This was accomplished in February, 1958, when the Executive Council issued a combined procedure for the settlement of "raiding" cases. Nonsigners were made subject to all aspects of this agreement except the final aspect—binding arbitration. Of course, as noted earlier, the six departments of the Federation also attempt to aid in the settlement of jurisdictional disagreements.

As of January, 1962, Article XXI was added to the AFL-CIO constitution—later renumbered Article XX. This article sets forth the Internal Disputes Plan currently in use. It was made binding upon all affiliates. Voluntary private agreements between affiliates are not only encouraged but are given priority. In order to effectuate a maximum use of internal procedures, there is a clause prohibiting the use of legal proceedings. Between 1962 and 1969, some 849 complaints were filed under Article XX, with almost 500 being settled via mediation and with violations declared to have been committed in 213 cases. Noncompliance charges were filed in only 53 cases, with only five affiliates feeling the sanctions of Article XX for noncompliance as of the summer of 1969.¹² The scope of Article XX has steadily broadened as the nonraiding agreements drawn

¹² David L. Cole, "The AFL-CIO's Internal Dispute Plan," *Monthly Labor Review*, September, 1969, pp. 12–15.

up prior to the merger have been allowed to expire or have not been used. The success of mediation under Article XX indicates the relative cooperation which has been attained among the affiliates. It is significant, however, that the Teamsters, the UAW, and the UMW represent powerful groups on the outside who might not hesitate to raid AFL-CIO affiliates.

In addition to the above functions of the Federation, it also acts as the official spokesman for most of organized labor in both the national and the international scenes. Thus, it strives for good public relations via the press and other mass-communications media. At the same time, it publishes its own slick-paper, monthly journal, *The American Federationist*, along with a weekly newspaper called the *AFL-CIO News*. The Federation is represented by delegates to the International Confederation of Free Trade Unions, which was established in 1949 and which purports to represent some 60 million organized workers in over 96 countries. Since its establishment, the ICFTU has had the AFL-CIO as its principal source of support. In 1964 alone the AFL-CIO contributed about \$1 million to the organization. In 1965, the AFL-CIO threatened to withdraw from the organization because of its alleged bureaucracy and ineffectiveness. This was one source of disagreement between George Meany and Walter Reuther which may have been one among many factors explaining the UAW's secession from the AFL-CIO in 1968. Some degree of plausibility was added to this observation early in 1969 when the AFL-CIO severed its membership with the ICFTU at the insistence of George Meany. The reason given for the action included the contention by the AFL-CIO that the ICFTU was not strongly enough anti-Communist. The withdrawal of the AFL-CIO's financial support was a severe blow for the ICFTU but one which might be at least partially offset if the UAW and other independent unions should join the ICFTU, as some have predicted. Perhaps an advantage for the ICFTU stemming from the AFL-CIO's action is that the body will now no longer be dominated as it has been in the past by the Federation. As of 1969, the economic condition of the ICFTU was reported as near bankruptcy.

Besides the Committee on Political Education noted above, the Federation maintains a number of other standing committees to supervise and direct the sundry specific activities of the AFL-CIO. The wide scope of the Federation's activities is indicated by the number and variety of such committees. Included are committees on Civil Rights, Community Services, Economic Policy, Education, Ethical Practices, Housing, International Affairs, Legislation, Public Relations, Research, Safety and Occupational Health, Social Security, and Veterans' Affairs. The standing committees just noted are appointed by the president of the Federation, who directs them and the respective staff departments in providing the various services for the affiliates implied by the committees' names. An

interesting new service was launched in 1969 in the form of a Federation school to train union officials in the art of bargaining. Four hundred full-time union officials made up the student body the first year, with 900 expected in subsequent years.

City and State Organizations

Although the local unions, national unions, and the AFL-CIO form the main skeleton of labor organization and government in this country, there are other auxiliary organizations connected to this framework. At the local level, there are city central organizations in more than one thousand communities. These agencies serve to unite the various AFL-CIO locals within the community and to provide them with many services related to collective bargaining and other local union activities. Also at the local level will often be found department councils, which are the counterpart of the trade and industrial departments at the national level of the AFL-CIO. Such local department councils exist in nearly a thousand communities.¹³

State central bodies are maintained by the Federation in all fifty states. In addition to carrying on legislative and political functions for the Federation in the state capital cities where they are located, they also serve as the Federation's official spokesmen within the respective states. Besides these general functions, the state central body aids the national and local unions of the AFL-CIO within the state in a number of ways—organizationally, educationally, and legally. In other words, most of the AFL-CIO services, as noted heretofore in connection with the Federation's standing committees, are brought to the affiliates within the state by the state AFL-CIO body in question.

It is of interest to note that merging the AFL and the CIO was more difficult at the state and local levels than at the national level. The vested interests of the two federations' officials within their respective city and state "centrals" presented a serious problem. Furthermore, the issues which created the two federations in 1935 were much sharper and personal in nature the closer to the membership a given unit was situated. As a result, when the merger was begun at the national level early in 1955, the state and local bodies were given two years to complete the merger at those levels. The process was finally completed in 1961, with New Jersey's units being the last to merge.¹⁴

¹³ It should be noted that there are a number of local unions (with only 71,000 members as of 1962) which are directly affiliated with the AFL-CIO. These locals may exist in occupational categories for which no national union as yet exists, or they may be locals that have dropped from or been expelled by a national union. Until they are affiliated with some national union, they maintain a direct affiliation with the Federation.

¹⁴ Pennsylvania and New Jersey were the only unmerged state bodies late in 1959.

Minor Federations

Although the AFL-CIO is recognized as *the* federation of labor within this country and is often implied as being the only such organization, there are some minor federations of which little is said. The Department of Labor acknowledged two such federations in 1960—the Confederated Unions of America, with about 45,000 members, and the National Independent Union Council, whose membership was not reported. As of 1963, these bodies had been merged under the name of the National Federation of Independent Unions. The home office of the new merger is located in Washington, D.C. and its membership was not reported. Another minor federation—Engineers and Scientists of America—was dissolved in December, 1960. Obviously, the membership of minor federations in this country has been insignificant in recent years when compared with that of the AFL-CIO or even with that of so-called independent national unions which have no federation affiliation.

A new labor organization was formed in Detroit in 1960 by one thousand representatives of Negro unionists. The title of the new organization is the Negro American Labor Council, and its very formation is an indication of dissatisfaction on the part of Negro union members with their treatment by the predominantly white unions. The organization protested especially the existence of “Jim Crow” locals; the discrimination against Negroes in apprenticeship and training programs; the lack of upgrading and promotional opportunities for Negroes; and “tokenism,” described as the thin veneer of acceptance passing for democracy. The new group will enroll members of any labor groups except communists, but will not engage in bargaining activities. It is much too early to determine how significant this new venture will be as an influence within this nation’s labor movement. As of 1964, the organization in question had not exerted an appreciable impact upon the labor movement. However, Negro criticism of the labor movement continued to be present. By 1966, the NALC had approximately 5,000 active members, most of whom were either officials or paid staff members of AFL-CIO unions. In its 1966 convention, the organization decided to work cooperatively with the AFL-CIO on legislative and employment goals. More and better job training for Negro workers was emphasized. Thus, within a span of six years, the NALC had moved from a position seemingly opposed to nearly all labor unions to one of cooperation with most while maintaining opposition to the minority still persisting allegedly in racial discrimination.

In concluding this section, it should be noted that the Alliance for Labor Action, formed by the UAW and the Teamsters in 1968 and discussed in the preceding chapter, *could* turn out to be a rival federa-

tion. Although its instigators—Reuther of the UAW and Fitzsimmons of the Teamsters—contend this is not their intent, the executive council of the AFL-CIO announced in September of 1968 that the ALA constituted a dual organization and, hence, a rival of the AFL-CIO. It was further indicated that any AFL-CIO affiliate joining the ALA might face the possibility of suspension or expulsion from the AFL-CIO. Following this announcement, the Chemical Workers Union voted to join the ALA and were later expelled by the AFL-CIO in October, 1969.

FINANCIAL ASPECTS OF UNIONISM

Labor organizations, like all human organizations of any size, possess of necessity certain financial aspects. If the organization is to realize its objectives, there must be a rather steady expenditure of funds; consequently, there must also be a reliable source of revenue. Basically, the local union and its membership constitute the fountainhead of union revenue. Thus, the local union customarily pays a constitutionally stipulated per capita tax to the national union with which it is affiliated and also to the city central, if it is a part of one, and to the state counterpart of the AFL-CIO. Any excess revenue after these commitments have been met remains in the treasury of the local union to defray its expenses. The national unions, in turn, remit a per capita tax (10 cents as of 1969) to the AFL-CIO if the national union is affiliated with the Federation. A somewhat detailed discussion of the principal sources of union revenue and the major uses made of said revenue now follows.

Sources of Union Revenue

The sources of union revenue are typically five in number and consist of monthly dues, initiation fees, special assessments, earnings from investments, and miscellaneous items such as fines and reinstatement fees.

Monthly Dues. The biggest source of revenue for unions in this country is the regular monthly membership dues. The national union constitution often sets upper and lower limits on dues, but it is usually left to the individual local union to determine the actual dues within these limits. Reports filed with the federal government under the Landrum-Griffin Act disclosed in 1960 that local union dues ranged all the way from less than \$1 per month to as high as \$25 to \$35 per month.¹⁵ By far the most common monthly dues ranged between \$3 and \$3.99 per month, with over half the locals collecting monthly dues of less than \$4. At the upper end, just barely more than 1 percent of the locals had dues of \$10 per month or more. Pulling down the average were the dues of

¹⁵ *Business Week*, February 25, 1961, p. 102.

industrial unions, which have always been much lower on average than craft union dues. A number of factors account for this differential between industrial and craft unions: The craft unions organize relatively higher paid skilled workmen, to whom the higher dues may represent a relatively slight burden; craft unions often provide auxiliary welfare benefits for members in the way of sickness and accident insurance, life insurance, and even old persons' homes; and craft unions are much older on average, and there has probably been the usual tendency for average dues to creep up through the years in older unions as union functions have been added.

While union dues seem to have occasioned little formal interest since the 1960 study noted above, there is little doubt that average dues would be higher today than in 1960. After all, both the costs of operating a union and the average money income of union members have risen appreciably since 1960. An interesting development appears to be in the making, namely, the departure by some major unions from the flat monthly dues which is actually a regressive form of tax and a move toward a more progressive arrangement. Thus, the UAW changed its dues to "2 hours of straight-time pay per member per month" in 1968.¹⁶ This resulted in average dues being about \$7.00 per month but obviously highly paid skilled workers would pay much more than this while the lowest paid unskilled workers would pay much less. The United Steelworkers have also gone to "2 hours straight-time pay," but they provide for a minimum of \$5 and a maximum of \$10 per month. The average in 1968 for this union was about \$6.78.

Initiation Fees. The initiation fee, typically paid only once by a person joining a given union for the first time, is a very common institution among organizations of all kinds in this country. In addition to being a source of some revenue, it is usually justified as representing a token payment by the incoming member for the work which has been done by the members of the organization in the years prior to his joining. The initiation fee is not used nearly so much by English or European unions as by unions in this country. Initiation fees of local unions in 1960 as disclosed by material filed by unions in compliance with the Landrum-Griffin Act ranged from zero to as high as \$1,400.¹⁷ The majority of union members paid initiation fees of less than \$10. Craft unions, on average, were discovered to have much higher initiation fees than industrial unions, some of whom use no such fee. In addition to reasons cited above for the craft/industrial dues differential, the craft union has often used the initiation fee as a means for restricting the supply of labor in a given craft. In the past, initiation fees as high as \$1,200 to \$1,500 have been

¹⁶ *Business Week*, March 23, 1968, p. 94.

¹⁷ *Business Week*, February 25, 1961, p. 102.

utilized by isolated unions to discourage workers from entering a craft. In general, it may be said that initiation fees bring in a very small proportion of total union revenue. This may be increasingly true at the present time and in the future, due to the leveling-out of the rate of union membership growth.

Special Assessments. The typical union will levy a special assessment on its members occasionally. Such assessments are usually limited in two ways by the national union's constitution. There is usually a limit, for example, as to the total amount of special assessments which may be levied in a given year. This limit may be worded either in terms of an absolute dollar limit or in terms of a percentage or multiple of one month's dues. The \$1.00 assessment is probably the most commonly used single assessment, but there may be more than one such assessment in a given year as long as the total is within the constitutional limitation. A second type of constitutional limitation found in most instances is a requirement that before any special assessment may be levied, it must be approved by a majority vote or, in some unions, even a two-thirds majority vote of the membership.

Special assessments are used for a number of purposes. They may be used to build up a strike benefit fund if a long strike is anticipated. An election year will inevitably see special assessments used for political purposes. They may be used to rescue a union's treasury if it has been seriously depleted. And some unions, like the United Mine Workers, have always used special assessments to provide financial aid to victims of an industrial disaster such as a mine explosion or cave-in. In all probability the most frequent uses made of special assessments are those related to political action and to strike benefit funds.

Earnings from Investments. The large national unions of this country have accumulated enough assets to realize some earnings therefrom. The typical national union, however, probably does not maximize its investment earnings, since such a large percentage of its assets will be found in the form of cash or low-interest-paying governmental securities. One of the major reasons for this tendency has been the traditional fear of acute economic insecurity in the event of a recession or depression. Most unions, numerically speaking, are relatively poor and remember only too vividly what happens both to security values and union revenues during periods of widespread unemployment. Hence, they prefer most of their assets in a secure form. Secondly, the typical union leadership knows from experience that it may periodically need funds quickly to further a strike; thus, this is another factor which militates against a long-range investment program. Of course, a very important third factor is that of economic ignorance concerning the possibilities of a wisely diversified investment portfolio which could be established if the union were to employ trained investment analysts. The largest unions and some of the

wealthiest, but small, craft unions have moved in the direction of adding such trained personnel to their staffs. Most national unions, however, are still too poor and/or too ill-informed to have taken this step.¹⁸

Fines and Fees. A miscellaneous category of union revenue is that which includes various fines and fees which a union may collect. On occasion, members may be fined for failure to attend union meetings or for infractions of minor union regulations. A member who has been suspended for disciplinary reasons may be required to pay a reinstatement fee at the termination of his suspension. In general, this source of union revenue is more or less insignificant in mature, reputable organizations.

Total Annual Union Income. The total annual union income from the five sources noted above is difficult to ascertain. It is probably safe to conclude that total annual revenue is over \$500 million. The annual revenue has grown spectacularly since 1933, because of the great increase in the number of unions and of union members. Inflation, which has affected all institutions since 1940, has also played a role in the increase of annual union income.

The total annual revenues of unions over a period of time minus their expenditures have resulted in a steady growth of total union assets. This total is extremely difficult to pinpoint, but it has been estimated as being in the vicinity of \$4.5 billion as of 1961.¹⁹ Thus, the total union assets of this nation are large by past standards, as well as by foreign labor union standards. In terms of dollars per member, however, the total does not loom quite so large. As of 1961 total union assets on a per capita basis amounted to about \$273, or less than three weeks' average earnings of the nation's production workers in manufacturing. Similarly, total union assets would appear quite small if compared with total assets of the corporations with whom the unions bargain. Unions with the largest net worth balances are, in general, the small, but old, craft unions, such as the railway brotherhoods and some of the building trades unions. The wealthiest union at the close of 1961 was the International Ladies Garment Workers Union with total assets of \$425 million, followed by the Electrical Workers Union with \$254 million and the United Mine Workers Union with \$211 million. Industrial unions having substantial assets as of 1961 included the United Auto Workers Union and the United Steelworkers Union. The largest general union in the nation—the Teamsters Union—was also among the relatively wealthy organizations.

¹⁸ It is noteworthy in this connection that in 1960 the AFL-CIO set up a Department of Investment, headed by a former investment banker. Thus, the Federation, like a minority of national unions, is moving toward a more positive investment program. Its aim is threefold: to increase earnings from investments; to provide more housing for both union and nonunion employees; and to help provide jobs for unemployed union members.

¹⁹ *Fortune*, November, 1962, p. 153 ff.

Union Expenditures

Since the local union seldom has more than two salaried officers and a small clerical staff, expenditures at this level are slight with respect to salaries. In the main, the expenditures of the local union are for educational and recreational purposes, with an occasional outlay for promoting a strike.

In contrast to the typical local union, the national union has rather sizable expenditures for salaries of elected officials, as well as for salaries of staff personnel. As of 1968, most union officers still probably received less than \$10,000 per year. On the other hand, probably 40 or more national union officials received more than \$10,000 as their basic salary. Heading this list was Frank E. Fitzsimmons, who received a salary of \$86,250 as president of the Teamsters Union, the largest national union in the country.²⁰ Additionally, the typical national union officer is provided with a sizable expense account and various fringe benefits, such as pensions and hospitalization insurance. As in the case of monthly dues, so also with officers' salaries—the craft unions tend to rank above the industrial unions.

By past standards and by foreign standards, national union salaries in this country appear to be high. It is also generally recognized that national union salaries compare favorably with governmental salaries paid to officials with comparable responsibilities. In comparison with top management salaries, however, the best union salaries are much lower. Thus, as of 1962 the top eight corporate officials received \$400,000 or more as basic salary, while the top 60 corporate officials were paid \$200,000 or more per year.²¹ These officials, too, were provided with expense accounts and sundry fringe benefits. While there is no tangible reason for salaries of union officials to equal those of corporate officials, it should be kept in mind that the two institutions often draw their leadership talent, especially professional experts, from the same labor market. It frequently happens that some union official is bid away from his union position by some corporation. This has happened increasingly as union officials, like corporation officials, have tended to be professional, career-minded individuals. It may be pointed out, too, that the tendency for union officials' salaries to rise is in itself indicative of the predominance in this country of business unionism as opposed to revolutionary unionism.²²

²⁰ *U.S. News & World Report*, Jan. 19, 1970, p. 55.

²¹ *U.S. News & World Report*, May 13, 1963, p. 63.

²² There is often little correlation between the size of the national union and the salary paid to its top official. Thus, in 1968 one of the highest salaries was paid by the (300,000 members) Railway Clerks union (\$70,000), while the United Auto Workers Union, with over 1.5 million members, paid its president one of the lower salaries

In addition to outlays for salaries, the typical national union spends very large amounts in providing the various services for its affiliates, which have been discussed heretofore. Thus, expenditures are made constantly for union publications, educational activities, strike benefit funds, recreational services, research programs, organizational campaigns, union supplies, and the maintenance of regional and national union headquarters. As noted before, craft unions may also support various welfare and member benefit programs which require annual outlays of varying amounts.

Accounting for Union Funds

Most national union constitutions provide both for periodic audit of national union accounts and for the audit by the national union of the accounts of its local affiliates. While many unions provided on their own for thorough audits by certified public accounting firms, other unions relied for years on much less formal audits. The Labor-Management Reporting and Disclosure Act of 1959 requires all unions to file financial reports with the federal government and to provide such reports also for the union members.

UNIONS AND DEMOCRACY

Inevitably, most discussions of union government raise the question of the degree of democracy to be found within the typical union's government and its administration. Such an appraisal probably stems from the assumption or hope that since the national, state, and local governments of the society are basically democratic by nature, a similar orientation should be found within the sundry nongovernmental institutions of the nation. Often, such discussions deplore the apparent lack of democracy in labor organizations, without recognizing that similar departures from the democratic ideal may be found in many institutions other than labor organizations. Thus, there is often a failure to note that the corporation with whom the labor organization must bargain is itself far from being democratically governed. It should be rather obvious that the democratic potential is considerably greater in the labor union, wherein each member—at least theoretically—has a vote, than in the corporation, where some stockholders hold voting shares and others do not. Further, the votes within the corporation are distributed not in the manner of one

(\$30,861). Age of the union and the income level of its members appear to be important determinants, as well as the attitude of the top official toward what constitutes a suitable salary. On several occasions, for example, Walter Reuther restrained UAW conventions from raising his salary. *U.S. News & World Report*, Jan. 19, 1970, *op. cit.*, p. 55.

vote per shareholder but, rather, one vote per share of voting stock. Whether the democratic *potential* in the union is realized, of course, may be quite another story on occasion.

As some have pointed out, democracy in the labor union is inherently hard to achieve, since the union's leadership must at once be powerful enough to match the corporation in collective negotiation and free to act quickly and with authority in connection with the corporation's bargaining representatives.²³ It has also been contended that unions need not or even should not be democratic, since they are largely functionless;²⁴ and hence, no one really cares how democratic they may be. Others have taken the position that unions actually operate best, i.e., more responsibly, if they are free from pressures of democratic ties with constituents.

On the other hand, many writers have argued that unions *are* basically democratic and that the instances of representative democratic government in action within labor unions are far more numerous than is commonly believed. Such arguments may add that unions are as democratic in practice as most institutions found within the society, whether of a business, religious, agricultural, or educational nature. It has been noted, too, that perhaps unions, like other institutions, have about as much democracy as their members really want, and that since they are private rather than public organizations, the actual degree of democracy attained should be left to the union and its members. The hotly contested election in 1965 for the presidency of the United Steelworkers Union is an indication that if the issues are considered meaningful by the membership, quite a democratic response may be forthcoming. In this election, union secretary, I. W. Abel, defeated the incumbent veteran, David McDonald. The election was spirited and the vote differential relatively narrow, with several weeks elapsing before the final result was evident. An answering argument, increasingly heard, holds that since union membership, along with union dues paying, has become compulsory for most organized workers via union security clauses in the labor contracts, this alters their purely private nature and makes them an object deserving of public attention and regulation even as to their internal affairs.

What Is Union Democracy?

Assuming that most students of this area would agree upon the desirability of a high degree of democracy within labor organizations,

²³ Clark Kerr, *Unions and Union Leaders of Their Own Choosing*, Reprint No. 109 (Berkeley: Institute of Industrial Relations, University of California, 1958).

²⁴ That is, according to this argument, unions do not provide any meaningful *production* functions for the economy, nor are they a part of the formal political structure. Many would disagree with this point of view.

there still remains much confusion as to what this implies. Thus, some students of the problem have equated democracy with the two-party concept. Since the vast majority of labor unions are not characterized by a two-party system, it has often been concluded on this basis alone that unions are undemocratic. On the other hand, one-party government is almost universally found in other institutions of every kind. While reasons for this phenomenon differ from institution to institution, some of the factors relative to labor organizations include the need for unity in the face of industrial conflict, tight control by incumbent leaders over the union's political mechanism, and the presence of few intraunion conflicts except those of an ideological nature, which usually split a union into two entities rather than create within it a two-party arrangement.

If union democracy is not to be equated with a two-party political system, what should be the requisites for a satisfactory degree of democracy in the modern large labor organization? The union member should undoubtedly have the right to full and free participation in the government of his union. Each member should possess the right to vote periodically via secret ballot for local officers and, through delegates, for national officials as well. The right to elect officials should also include the right to remove power-wielding officials if the membership is convinced the power is being abused. The union member should also be guaranteed the right to run for and to hold office in his organization on the basis of uniform qualifications. It would seem reasonable to assure union members of the right fearlessly to voice their views on union policy. Finally, each union member should possess the right to fair treatment under equitable union regulations. The Landrum-Griffin Act of 1959 attempts to assure the union member of all the rights just noted, including provisions stipulating the election of national union officers at least every five years and local officers at least every three years via secret ballot.

The above essentials of democracy would appear to be within the realm of reason with regard to any institution within a democratic society. They are specific enough to afford the members of any institution the vital measure of popular control democracy seems to imply. At the same time, their presence would not need to impair unduly the freedom of leadership to act expeditiously to further the aims of the unit. The remainder of this section is devoted to inquiring to what extent unions in general depart from or conform to the democratic norms just noted.

Congressional Findings

One of the most ambitious attempts to assess the degree of democracy found within ranks of labor unions in this country was made by the McClellan senatorial investigating committee in 1957-59. In its first interim report, dated March, 1958, this Committee made the following

observations on unions and democracy.²⁵ First, reported the Committee, the overwhelming majority of unions were found to be honestly and democratically operated. On the darker side, however, the Committee found a significant lack of democratic procedures in some unions studied, of which the Teamsters Union was accorded the most critical scrutiny. Thus, the Committee noted that some union constitutions were perverted or ignored; one-man dictatorships had seemingly thrived; union members had been shorn of a voice in union affairs through fear, intimidation, and even violence; and the use of the secret ballot in union elections had been denied in many instances.

The Committee was especially critical of the use made of the national union's power to place local unions under trusteeship. The Committee found some trusteeships imposed for little or no valid reason; some were maintained for as long as 30 years; rank-and-file efforts to throw off such restraints have, on occasion, been ignored or rejected—sometimes with violence; some locals under trusteeship have been plundered by the very officials in charge of their affairs; and locals under trusteeship have often been used as pawns in political battles within the national union in order to enhance the political fortunes of particular candidates for high office.²⁶

Needless to say, the above findings are serious condemnations of the operations of certain unions and their leaders, even though most unions and their leaders were found to be in the clear. The seriousness of the findings was partially responsible for many provisions in the Landrum-Griffin Act of 1959, which seek to insure more democratic union procedures, and which will be discussed later in this chapter.

Other Findings

A comprehensive private study of national union constitutions in 1959, in which unions with a total of 15.8 million members were involved, reported a number of interesting discoveries.²⁷ Most union constitutions

²⁵ Commerce Clearing House, Inc., *New Labor Law of 1959 with Explanation* (Chicago, 1959).

²⁶ Another study of trusteeship provisions within national union constitutions, covering 114 national unions with about 95 percent of total union membership in this country, noted the following: Sixty-seven of the unions, with a total membership of about 12 million, had constitutional provisions for trusteeship; while 47 unions, with a combined membership of 5.5 million, had no explicit constitutional provision therefor. All unions provided in their constitutions for suspension or revocation of a local union's charter. Of the 67 unions with formal trusteeship provisions, 34 unions gave the Executive Board the power to place a local union in trusteeship, 20 unions conferred this power on the president, and 13 unions allowed either the Executive Board or the president to carry out this function. Thirty-eight union constitutions provided for automatic hearings prior to trusteeship, while the other 29 unions had no specific hearings provisions in their constitutions relating to trusteeships.

²⁷ Leo Bromwich, *Union Constitutions* (New York: Fund for the Republic, Inc., 1959).

were found to be democratic in *intent*, apparently reflecting acceptance by unions of the value of democratic government. In numerous instances where there seemingly was a real desire for democracy and adequate membership rights, the deplorable state of certain procedures utilized was a severe obstacle. Procedural problems were found by the study to exist mainly in six areas of union government: admissions rules, concentration of power, the national convention, union disciplinary processes, the union press, and certain general procedures.

In connection with admissions procedures, rules of apprenticeship are frequently used to bar a person from membership in the union and sometimes to facilitate racial or political discrimination by the union. With respect to the concentration of power, most national unions concentrate a large amount of power in the hands of the president, granting only a limited right to the Executive Board to oversee union policy decisions. Even in so far as the national convention is concerned, the great power of the president in most unions to appoint standing committees gives him tremendous control over the convention. In many instances the president also presides over the convention, thus further strengthening his executive power.

With respect to union disciplinary procedures, while some unions exercise extreme care in the matter of staffing trial tribunals, many unions allow the local Executive Committee or the local president to carry out this function.²⁸ The danger herein is that the accused member or members are usually in opposition to the local administration. Hence, the trial tribunal may be "stacked" against the accused. In nearly all unions, the press is under control of the incumbent administration. The "ins" can exercise a virtual monopoly over the official news organ, a fact which tends to militate against vigorous controversy or opposition to current administration policies.

It should be noted that several unions have already attempted to rectify procedural problems, referred to above, to insure democratic functioning through the authority of a constitution. Outstanding examples in this connection would be the Typographical Union and the United Auto Workers union, whose constitutions define in detail the rights and duties of members and officers.

Thus, private and public studies have shown that while much democracy is to be found within labor unions, there are numerous and serious departures from democratic procedures. To be sure, quite similar findings would probably be forthcoming if close studies of many other types of organizations were to be launched in this nation. Such a result,

²⁸ Trial tribunals referred to here are those used by national and local unions with respect to cases involving suspension or expulsion of offending union members, referred to earlier in the chapter.

however, would not of itself excuse the organizations in question, labor unions included, from improving their democratic procedures, but rather should stimulate revision of constitutions and procedures. Some, perhaps most, of the revisions should come from within the organization in question. Some of the revision must of necessity, probably, come from without; i.e., it must be imposed via legislative enactment, even though this entails further governmental intervention in the affairs of "private" agencies and poses the question as to where the proper stopping place should be for such action. It also raises the disturbing question of whether democracy can really be imposed upon any organization whose members are reluctant to insist upon it in their own right.

Professor Kerr has suggested several possibilities for improving union democracy, as have many other writers.²⁹ Included in these suggestions are the following: Membership interest in union affairs, sadly lacking today, might possibly be stimulated via attitude polls of members or through mass-communications media such as television and radio. Professional-type union leaders may in time develop on their own an appropriate "ethic" to guide their conduct, as corporate management allegedly has. Local autonomy might possibly be increased somewhat for local unions, since these grass-roots bodies furnish a better medium for democratic action than do the large national bodies. Some legislative mechanism for union decertification should be maintained at all times to enable members to change unions if they so desire, or to eliminate unionization entirely, if this be their wish. The discharge of unsatisfactory union officials through occasional membership rebellion at union elections may also be an important long-run factor, although its effectiveness is not so apparent in the short run.

Many unions have incorporated already some of the suggestions cited above. Other suggestions noted above, plus additional innovations, have been legislated by federal and state lawmaking bodies. Thus, the Labor-Management Reporting and Disclosure Act of 1959 (Landrum-Griffin Act) has several provisions relating to union democracy. One provision requires every labor organization to adopt a constitution and bylaws, and to file same with the Secretary of Labor. Another provision prohibits a local union from raising dues or initiation fees, or from levying a special assessment, unless a majority of the members so approve via a secret ballot election. A third provision forbids a union to punish a member without first serving written charges on him, giving him time to prepare his defense, and giving him a full and fair hearing. The law also provides that the trusteeship device may be used only for legitimate purposes under certain stipulated conditions and that the trusteeship shall be

²⁹ Kerr, *op. cit.*

presumed invalid after 18 months unless the national union can show clear and convincing proof as to why it should be continued. National unions are required to elect officers at least once every five years by secret ballot of the members or by convention of delegates chosen by secret ballot. Still other provisions are contained in the law designed to protect the member's right to run for union office and to prevent incumbent officers from using union funds to promote their election campaigns.

Thus, it should be obvious that Congress has already taken a gigantic step to attempt to insure democratic procedures within labor organizations. This step and the fear of further such steps have also prompted many national unions to engineer needed revisions on their own. In the final analysis, however, the degree to which any of these reforms will operate satisfactorily over the long run is highly dependent upon the membership of a given union and its interest or lack of interest in the organization. One recent study of union government has concluded that there is already a sizable amount of democracy present and that the degree seemed to be increasing as of the middle 1960's.³⁰

UNIONS AND CORRUPTION

Closely related to the problem of the degree of democracy within labor unions is the problem of corruption or racketeering within labor unions. In many instances, it is probably true that where democratic procedures have either been lacking or by-passed, racketeering has flourished. Until 1957, most discussions of the problem of racketeering within labor organizations were rather superficial and usually concluded that while racketeering seemed to be more prevalent in unions of this country than in those of most other nations, it did not affect enough unions and was not serious enough where it did exist to occasion concern on the part of society as a whole. During much of 1957 and 1958, however, the senatorial McClellan Committee on Improper Activities in the Labor or Management Field studied the problem of corruption in labor and management organizations in detail, holding lengthy hearings in connection with a minority of labor organizations where racketeering constituted a major problem. The findings of this Committee, noted briefly below, were an indication that in a minority of labor organizations, racketeering had reached proportions which could not be ignored by the nation as a whole. Thus, despite pleas from many reputable unions that they be allowed to put their own house in order, numerous provisions were placed in the Landrum-Griffin Act of 1959 which seek to minimize various malpractices. These provisions will be discussed in Chapter 18.

³⁰ Leonard R. Sayles and George Strauss, *The Local Union* (New York: Harcourt, Brace & World, Inc., 1967), p. 168.

McClellan Committee Report

The first interim report of the McClellan Committee, which was released in March, 1958, contained observations with respect to racketeering and corruption in the labor and management area.³¹ Certain management groups and individuals were found to have engaged extensively in collusion with certain union officials, as follows:

1. Union officials were sometimes paid by management officials for "sweetheart" contracts.³²
2. Management officials sometimes connived with the unions "approved" by the management in question in under-the-table agreements to permit organization of the management's employees by the approved union, to the exclusion of other unions.
3. On occasion, management officials were found to have granted business concessions or financial loans to union leaders with whom management wanted to maintain favorable relations.
4. Certain trade associations were found to have conspired with certain unions to achieve industrial monopolies.
5. So-called "whip companies" were found to have been created to keep rival companies in line, with the "whip companies" often being blinked at by the union, even when they themselves broke union rules.

In the second place, the Committee found a widespread misuse of funds in certain unions. Thus, financial safeguards were woefully lacking in some unions, with audits having been little more than a formal ritual of adding figures while failing to probe their accuracy or the important details behind them. Financial reports by some unions to their members were found to have been false and/or sketchy and, even in these forms, largely unavailable for perusal by the members. Union officials in some unions were found to have dealt in cash rather than by check; and where checks were used, union officers charged with responsibility for disbursements often signed checks in blank for superiors. As a result of loose financial practices in some unions the misuse of funds, including outright thefts and "borrowings" for personal profit, reached a total of about \$10 million, according to the Committee. Even where publicized gifts were made to union officials (frequently by employers), the gift recipients often failed to declare them for tax purposes, while donors often wrote

³¹ Commerce Clearing House, Inc., *op. cit.*

³² In this instance, a "sweetheart" contract is one agreed to by the union in return for a bribe by the employer to induce the union to settle for substandard wages and other conditions of employment. Thus, the union is not really representing its membership but is being paid virtually to "sell the membership short."

them off as deductible business expenses. The destruction of financial records and canceled checks was found to have been common practice within a few unions. Union officials were found to have been given flat expense allowances, often in excess of their proved needs; while loans of union funds were often tendered to favored officers, with no such opportunities being available to union members.

In a few unions, tax-exempt funds were discovered as having been used to bring profit either to the union or to its officials in violation of federal laws governing tax-exempt organizations. The device known as organizational picketing was found by the Committee to have been abused by some unions. On occasion, this device was used to extort funds from management. In some instances, organizational picketing was used without the consent of the employees in the picketed plant and before some or any of them had indicated a desire to join the union involved.

Finally, gangsters and hoodlums were discovered to have infiltrated successfully a few labor unions, sometimes at rather high levels. In some unions, such persons were found to have assumed positions of trust; they occasionally exercised a sinister influence over other union officials; and higher union authority exhibited little or no desire to rid the labor organization of those with long criminal records.

Union Moves against Corruption

In addition to the Landrum-Griffin Act, passed by Congress to minimize racketeering in unions, many of the more responsible unions have taken it upon themselves to solve the problem or to prevent it from arising. Thus, for example, the AFL-CIO expelled the International Longshoremen's Association for corruption and racketeering in September, 1953—the first time in AFL history that such a move had been made. In December, 1957, the AFL-CIO again took decisive action by expelling the Teamsters, Bakers, and Laundry Workers unions when the organizations in question refused to act to remove questionable officials or to curb questionable practices.

In addition to expulsion of unsavory unions, the AFL-CIO assumed responsibility for eliminating corruption by stating in its new constitution of 1955 (Article II, Section 10) that one of the objectives of the Federation is "to protect the labor movement from any and all corrupt influences." In order to implement this constitutional provision, the AFL-CIO established a Committee on Ethical Practices to aid the Executive Council in keeping the organization "free from any taint of corruption." In June, 1956, the Committee was given power to develop a set of principles or codes, which have since become collectively known as the Ethical Practice Codes. Six codes were initiated by the Committee between 1956 and 1959.

In 1956 the Committee on Ethical Practices developed the first code, which dealt with the issuance of local union charters and sought thereby to eliminate the formation of so-called "paper" locals, local unions which do not really exist, since their membership is fictitious, but which may be used to extort money from an employer or for other illicit purposes. Codes which have been added since 1956 seek to keep paid union officials from receiving compensation from a health and welfare fund, to bring about complete and regular audits of welfare funds and reports thereon to members, to discourage the union official from engaging in business activities which might conflict with his duties as a representative of workers, to discourage unions from investing in or making loans to business enterprises with whom they bargain unless said action is necessary to keep them in existence, and to secure rank-and-file participation in union self-government as well as the limiting of union officers' terms of office to four years.

In addition to the moves noted above on the part of the AFL-CIO to try to insure honest union administration, some individual national unions have taken similar steps. Thus, the Upholsterers set up a Public Appeals Board in 1953, with the UAW creating its Public Review Board in 1957. These agencies were created as a neutral vehicle whereby union members with grievances against their leadership could have them reviewed. The idea has not spread and it is doubtful just how effective such boards are. Also, ironically, the unions needing them least would probably be most apt to create them.

Thus, it is apparent that many steps have been taken, both publicly and privately, with regard to prevention of racketeering within labor unions. It should not be thought that these steps will eliminate the problem once and for all. There is always the possibility that the self-check bodies set up by unions may function on occasion as "whitewashing" agencies. There are also possibilities that legislative enactments will suffer periodically from evasion or lax enforcement. In the final analysis, probably, the minimization of corruption or racketeering within any institution will depend upon the efforts of those within the institution to achieve internal checks and balances and to develop an ever higher level in the code of ethics. Most unions appear to be moving in this direction. It is the occasional "bad apple" which makes the rest suspect.

SUMMARY

The typical union structure of this country has evolved from a small local unit, wherein pure democracy, simple finance, and uncomplicated administration were predominant characteristics, to a large and exceedingly complex national organization. Pure democracy has inevitably been replaced by bureaucratic representative government, and the simple

finance has become exceedingly involved finance. Paralleling these developments have been those with respect to membership apathy; an allegedly shrinking degree of and, perhaps, even desire for democratic control; and in some instances, a rather shocking amount of corruption and racketeering. The evolutionary developments noted in the case of union structure are not likely to be reversed; rather, the problems which they pose in unions, as in other large institutions, must be met and solved within the given institutional framework. The degree to which this is successful may well determine the nature of the future impact of labor unions upon the industrial economy.

DISCUSSION QUESTIONS

1. Comment on the importance of the union steward in the shop from the standpoint of both the union and the firm.
2. Why, in your opinion, do local union members take little interest generally in the meetings and government of their local unit?
3. It has frequently been observed that growth in the size of any institution increases the degree of bureaucracy found within it. Comment on this with respect to unionism, and try to account for the development.
4. Can you see any logical reasons for the use of the trusteeship device by a national union with respect to its local affiliates?
5. Discuss the kind of "research" which is likely to be carried on by the typical national union and/or employer's bargaining association.
6. What implications might flow from the fact that the constitution of the AFL-CIO is more restrained and conservative in tone than the original 1886 document?
7. Why do you think it was difficult to consummate the AFL-CIO merger at state and local levels?
8. Should the federal government place an absolute dollar limit on the size of union dues and initiation fees? Why, or why not?
9. In your opinion, should labor unions be allowed by government to levy special assessments upon members for political action funds? Consider the implications of your answer.
10. How democratic should a labor union be, in your opinion, and what is the best procedure for assuring this degree of democracy? Can democracy be forced on a group by law? Would you advocate legal enforcement of democracy in other groups?
11. Why does corruption appear within labor organizations? Are there any parallels between its occurrence here and in other organizations? Why does it occur more frequently in labor, business, and governmental agencies here than in England and Sweden, for example?
12. Can unions and other institutions be depended upon to "set their own houses in order?"

SELECTED READINGS

- BARBASH, JACK. *American Unions: Structure, Government, and Politics*. New York: Random House, 1967.
- BROMWICH, LEO. *Union Constitutions*. New York: Fund for the Republic, 1959.
- COMMITTEE FOR ECONOMIC DEVELOPMENT. *Union Powers and Union Functions: Toward a Better Balance*. New York, March, 1964.
- GALENSON, WALTER. *Trade Union Democracy in Western Europe*. Berkeley: University of California Press, 1961.
- HARRINGTON, M., and JACOBS, P. (eds.). *Labor in a Free Society*. Berkeley and Los Angeles: University of California Press, 1959.
- HUTCHINSON, JOHN. *The Constitution and Government of the AFL-CIO*. Reprint No. 119. Berkeley: Institute of Industrial Relations, University of California, 1959.
- KERR, CLARK. *Unions and Union Leaders of Their Own Choosing*. Reprint No. 109. Berkeley: Institute of Industrial Relations, University of California, 1958.
- LESTER, RICHARD A. *As Unions Mature: An Analysis of the Evolution of American Unionism*. Princeton: Princeton University Press, 1958.
- MARSHALL, RAY. *The Negro and Organized Labor*. New York: John Wiley & Sons, Inc., 1965.
- ROBERTS, B. C. *Unions in America: A British View*. Princeton: Princeton University Press, 1959.
- STIEBER, J.; OBERER, W. E.; and HARRINGTON, M. *Democracy and Public Review*. Santa Barbara, Calif.: Center for the Study of Democratic Institutions, 1960.
- SAYLES, LEONARD R., and STRAUSS, GEORGE. *The Local Union*. New York: Harcourt, Brace & World, Inc., 1967.

GROWTH OF EMPLOYER BARGAINING ASSOCIATIONS IN THE UNITED STATES

Just as the process of industrialization gives rise to the development of labor organization within the industrial nation, so it also inevitably stimulates the growth of employer associations. There are numerous types of business and industrial associations in the industrial economy, of course, but the type to which this chapter is confined is that which is created principally for purposes of collective bargaining. Some associations admittedly are multipurpose entities which may engage in collective bargaining in addition to other activities, but most of the associations with which this chapter is concerned concentrate on the sundry functions related to collective negotiation with labor's representatives.

Formal bargaining associations of employers have had their origin largely in the desire of employers to resist the organized economic pressures marshaled by labor. Labor organizations, as noted in an earlier chapter, had their origin in the increasing economic power of the employer, which was occasioned originally by the growth in the size of the employing unit. The whole history of the development of employer and labor organizations in the industrial nation has involved a sequence of offensive and defensive moves and parries by the two parties, directed at redressing a real or imagined imbalance of competition within a given labor market. Even before formal employer organization emerged, informal employer combinations—often tacit in nature—existed, as disclosed by Adam Smith in the latter part of the 18th century.¹

In the matter of timing, employer bargaining associations have tended to lag behind labor combinations at each step of the organizational evolution. This is not surprising since it was the employing unit, the

¹ See Chapter 11, "Theory of Labor Movements."

single firm, whose growth originally inspired laborers to combine. For a time the individual firm alone was competent to cope with the early labor organizations. It was only as the labor organizations became more firmly entrenched, and hence more potent, that the employer was motivated to join with his fellows in an attempt to surpass the joint economic power marshaled by labor. Thus, it was quite natural for the local employers' associations to lag somewhat behind local unions as to date of origin in the respective labor markets.

By the same token, the combining-together of local employers may have been partly responsible for the national union movement, which, in turn, led to the nationalization of employers' associations at a somewhat later date. This same sequence is likely to have been repeated over and over again within various industries or regions of the nation. Even after more than a century and a half of development in this country, however, it is noteworthy that only a minority of employers as well as of employees have been organized by the parallel institutions being discussed. Both groups have shown a strong resistance toward organization, so unlike their respective counterparts in the industrial nations of western Europe, or in England and Australia. In all probability the primary reason for the lack of employer organization in this country is attributable in part to the lack of labor organization, the reasons for which have been discussed in an earlier chapter.

This chapter deals, in turn, with a brief history of employer bargaining associations, certain classifications thereof, the government and financing of such associations, and the status of association bargaining in this country. Finally, a brief discussion is included of some of the trends in internal organization of the firm necessitated in part by unionism and collective bargaining.

HISTORY OF EMPLOYER ASSOCIATIONS

Beginnings

There are scattered evidences of some employers' associations having been formed during the last half of the 18th century such as the master bakers' association of New York and the master carpenters' association of Philadelphia.² The first-named association presumably helped convict a union of journeymen bakers of criminal conspiracy in 1741, while the master carpenters of Philadelphia in 1791 successfully resisted a demand by journeymen carpenters for a 6:00-to-6:00 working day with extra pay for overtime. The master shoemakers' association of Philadelphia simi-

² Clarence E. Bonnett, *History of Employers' Associations in the United States* (New York: Vantage Press, 1956); and Philip Taft, *Economics and Problems of Labor* (3d ed.; Harrisburg, Pa.: Stackpole Co., 1955), chap. xxii.

larly succeeded in resisting union demands in 1796 and also in 1798 for wage increases. These early employers' associations had many things in common with the early unions: They were local in scope, craft or trade in structure, temporary as to life, and often secretive in nature. They were especially prevalent in industries such as shoemaking, printing, and construction industries, since it was in these environments that early labor organization flourished.

With the turn of the century, employers' associations appeared to gain in strength and, with the help of the judiciary, often succeeded in blocking the moves of labor combinations. Thus, master shoemakers' associations helped to convict the Philadelphia shoemakers' union of criminal conspiracy in 1806, while a similar employers' organization in Baltimore achieved the same goal in 1809, when 29 union members of that city were indicted for criminal conspiracy.

After the War of 1812, with its stimulus to industrial development in this country, the accelerated growth of labor unions was matched by the increased tempo of employers' organizational activity, as well as in the aggressiveness of such organizations. The 1830's witnessed the launching of an open-shop movement by employer groups as they fought vigorously against demands for higher wages and shorter working days. In 1836 the first city *federation* of employers' associations was created in Philadelphia, where the first union city central had emerged just nine years earlier. This development is only one of many which illustrate the jockeying back and forth, as it were, of the two groups as each has sought either to gain an advantage or to offset a prior advantage gained by the opposite group.

Even with their improved strength during the 1830's, however, employers' associations were afflicted with a lack of solidarity. Not only did they experience serious difficulty in getting employers to affiliate, but the associations also suffered from the fact that individual employers would often break ranks with the association in order to enter into agreements with unions on their own if it appeared to be to their advantage to do so. The recession years of 1838-42 produced still more problems for employers' associations, which—like unions—tended to decline during the lean years. This was due in part to the fact that the bargaining strength of the employer is always augmented by a growing pool of unemployed workers so characteristic of recession. Thus, the bargaining strength of the employer was never injured so much by the decline during recessions experienced by his associations as was that of the worker, a fact which historically helped to insure falling wage rates and declining working conditions for labor during cyclical downturns of the 19th century and even during those of the early part of the present century.

The appearance and success of national labor unions in the 1850's

stimulated employers' associations to greater antiunion efforts. The black-listing of union "agitators" by employer associations was especially common during this decade. Despite gains made by labor organizations, the advantage was generally with the employers' associations in the altercations which took place. Many employers and their associations worked actively to bring European immigrants to this country to be used to break and/or prevent strikes.

Prior to the Civil War, employers' associations, like labor unions, were not too significant in the United States. The basic reason was simply the fact that the nation was still predominantly agricultural in nature. The development of its industries as well as that of its industrial institutions was to gain momentum in the post-Civil War decades.

From the Civil War to World War I

After the Civil War, employers' associations grew at an accelerated rate, prompted undoubtedly by the increased organization of employees which accompanied the stimulus to industrialization provided by the war. Railroad employers, for example, cooperated on a nationwide basis in 1865 to combat railway workers' strikes, a pattern which was repeated often during the last third of the century. There was also a tendency for employers' associations to become more belligerently antiunion in nature, especially as the Knights of Labor experienced some measure of success. Devices utilized by employer groups included hiring strikebreakers,³ importing workers from Europe, resorting to the use of a disproportionate number of apprentices, and employing as many female employees as possible. With respect to immigrant labor, the Contract Labor Law, enacted in 1864, bound the immigrant worker to his employer in this country for a period of time not to exceed one year at a stipulated wage until the cost of his passage was defrayed. Additional years' wages were often pledged to offset the first year's maintenance costs. Soon after passage of this law, the American Emigrant Company was set up to

³ During the late 1860's and in succeeding decades, strikebreakers were employed increasingly from so-called "detective agencies" like that launched by Robert A. Pinkerton in 1866. As time passed, a large percentage of the employees of the literally thousands of these agencies which were formed were ruffians, thugs, ex-criminals, and others of questionable character and motives. Often, such agents would provoke violence in order to prolong a dispute and hence their own employment. See Robert Hunter, *Violence and the Labor Movement* (New York: Macmillan Company, 1914), pp. 281-326. The Pinkerton agents came to be considered nearly indispensable by employers during the 1880's. It was common for the Pinkerton agency to send confidential circulars to employers advising them that the agency would provide men who would mingle with workers and report to the employer any intentions thereof relative to joining a union or engaging in a strike. See John R. Commons and associates, *History of Labour in the United States*, Vol. II (New York: The Macmillan Co., 1918), pp. 415-16.

import labor for various industrial employers, including those in manufacturing and railroading.⁴

Employers' associations also exhibited a tendency after the Civil War to become *general* in nature, thus departing from their former trade or craft confines. Since general associations are not suitable negotiatory media, it must be assumed that their principal function was to eliminate organized labor wherever possible, or at least to keep it from realizing its objectives. From the late 1870's until the middle 1890's, the goal of general employers' associations was often the destruction or crippling of the Knights of Labor.

The post-Civil War associations were not without success, since they often gained the advantage over labor unions and even succeeded in lowering wages at times, a move which frequently precipitated bitter strike action. Coal operators' associations, which were formed in the late 1860's, frequently utilized imported Negroes, Bohemians, and Italians in order to break strikes. Another open-shop movement became apparent in the 1870's in several locations, with employer groups successfully breaking unions on occasion. Thus, the associated boot and shoe manufacturers in Massachusetts managed to crush the Knights of St. Crispin in 1873. In this venture the manufacturers used strikebreakers, including Chinese workers; farmed out "struck" work; employed prison labor; installed machines to replace skilled workmen; and relied on the delaying effects of litigation in injunction suits. Building trade associations, as well as some within the iron industry, were also quite belligerent toward labor unions during the 1870's.

The success of employers' associations in their war on labor organizations was especially prominent after the onset of the panic of 1873. Unions, generally weakened by recession-spawned financial troubles related to wholesale layoffs, were usually defeated by employers' associations between 1873 and 1880. Associations were quite effective in bringing about wage reductions during this period. The middle of the 1870's produced an ingenious strategy for weakening unions in the coal industry. Associations of coal operators, faced by strong unions, attempted to mitigate their problems by offering mine superintendencies to strong union leaders, thereby hoping to remove them from the union stronghold.

Employers' associations in all industries became more highly formalized as to structure and government during the 1870's. By this time, many employer groups had learned that it was easier to hold their membership together in a solid front through formal association than by informal organization. With increased formalization, the antiunion de-

⁴ Joseph G. Rayback, *A History of American Labor* (New York: Macmillan Co., 1959), pp. 119-20.

vices employed began to grow, with such devices as the yellow-dog contract, the company union, and company welfare plans being added to the repertoire of the associations and of individual employers as well.

A nationwide railway employers' association figured prominently in the great railway strike of 1877 as a part of the growing open-shop movement. This strike, the largest in the country up to that year, saw 100,000 troops used by a combination of the regular army and the militia. The climax occurred on Sunday, July 22, in Pittsburgh when 20 men, women, and children were killed by the fire of the troopers, while the militia also lost 20 men.⁵ Terrific property damage was another by-product of this strike, with property of the railroads being damaged to the extent of more than \$50 million. An interesting sidelight of the strike, which indicates some of the doubtful loyalties involved, was that in which small farmers and even members of the militia often joined ranks with striking railway employees. Citizens' committees proved more successful during the 1870's on many occasions from the employers' standpoint than did the militia, in so far as the breaking of strikes was concerned.

While antiunion activities tended to preoccupy most employers' associations during the 1870's, it should not be thought that all associations were thus oriented. Some associations, as witness those in the garment industry, were beginning to perform a negotiatory function, in contrast to purely antiunion maneuvers. In fact, some associations in the garment industry even worked in conjunction with unions to force the organization of nonunion shops.

The boom in both labor and employer organization reached a peak in 1885-86. In the latter year the General Managers' Association of railroads centering or terminating in Chicago was initiated. This Association was later to defeat the American Railway Union in the famous Pullman strike of 1894. "Law and order" leagues, instigated at the behest of railway magnate Jay Gould, were instrumental in crushing the Knights of Labor during the latter 1880's. In addition, the leagues induced many kinds of employers to form associations, including furniture manufacturers, stove manufacturers, master builders, coal operators, and employers in the iron industry. Many of these associations tried to negotiate with unions. In fact, by 1897-99, collective negotiation in the building and coal industries often looked more like *collusive bargaining* between the unions and the employers' associations, often at the expense of consumers and/or employees.

In contrast to the negotiatory trends noted above, in many instances employers' associations which had been more or less conciliatory toward unions for a time apparently became disgusted with this approach in the

⁵ Bonnett, *op. cit.*, p. 119.

waning years of the 19th century and turned toward belligerency once more with increased fervor. Thus, the period between 1900 and 1916 saw another open-shop movement sponsored by antiunion employers' associations on all levels. In part, this development was due to the growth in power of labor unions during the Spanish-American War prosperity; in part, it was due to a renewed desire on the part of employers to pluck unionism from the industrial scene by its roots, as it were.

Dominant antiunion employers' associations at the turn of the century included the National Founders' Association. This Association, formed in 1898, was on friendly terms for a while with the International Molders Union; but it became extremely unfriendly toward unionism in 1904, using strike replacements as a device for gradually eliminating union members from the association's affiliated firms. Another outstanding antiunion association was the National Metal Trades Association, which was formed in 1900 after the machinists' union had launched a nationwide shorter hours movement. At first the National Metal Trades Association dealt peacefully with the union (1900-01); but soon, it declared strongly for the open shop and absolute control over wages by the employer. Among its techniques were espionage, the use of strikebreakers, and the circulation of the black list. The Association also painstakingly built up a file of more than 400,000 "loyal" or desirable employees, who were awarded "certificates of recommendation" and were frequently used as strikebreakers. Still another of the foremost belligerent associations of this period was the National Association of Manufacturers. This organization was created in 1895 with a relatively conciliatory orientation, but it became definitely belligerent in nature in 1903. After that year it sponsored vigorous open-shop campaigns, opposed most liberal labor legislation, and tried to convince employees that their best friend was the employer. Dominated in earlier years by small and medium-sized firms, the NAM has seen the larger firms play a more important role since 1933. At present the NAM does not openly oppose union recognition as such, but it favors legislative restriction of organized labor.

The above associations were only the most prominent of numerous bellicose employers' organizations which arose after 1900. Others included the Anti-Boycott Association, later called the League for Industrial Rights, which was initiated in 1902 during the Danbury Hatters altercation to aid the employer, D. E. Loewe and Company, in resisting the boycott launched by the hatters' union. Local associations of the same nature were also to be found in industrial centers. One of the most famous of these was that of Dayton, Ohio, a general employers' association which was so successful that it earned for Dayton the designation as an "open-shop city" for a time.

The belligerent trend in employers' associations referred to above was

temporarily interrupted by World War I, when soaring profits plus governmental encouragement of collective bargaining had the effect of halting antiunion moves of employers' organizations. With the end of the war, however, and probably because of the record level of union membership attained during the war, new open-shop campaigns were pursued by employers' organizations all over the nation. The often effective devices of the yellow-dog contract, espionage, the company union, the black list, paternalism, the hiring of strikebreakers, litigation or threats thereof, and the injunction were all employed on occasion against labor unions. As noted in an earlier chapter, it is probable that these tactics played some role in the marked decline (40 percent) in union membership between 1920 and 1931.

During the depression years of the 1930's, and contrary to trends in earlier depressions, employers' associations continued to expand. This was largely owing to the fact that after 1931, labor unions greatly increased in number and membership—especially those of the industrial variety. Consequently, employers' associations, also of the industrial variety in most cases, grew rapidly as employers found them essential in meeting the growing concentration by labor of economic power. There was a pronounced change in the nature of employers' associations, however, during the late 1930's. As a result of liberal labor legislation enacted during the decade, most of the tactics of antiunion employers' associations were made illegal, while the federal government went on record as protecting and even encouraging collective bargaining as a way of industrial life. Thus, most employers' associations decided, albeit grudgingly, to cease trying to eliminate unionism—openly, at least—and to attempt to negotiate the best possible contracts with their respective employee representatives. World War II followed soon after this change in the nature of employers' associations; and, as during World War I, unionism and collective bargaining were given further stimulus by favorable governmental attitudes and the full-employment conditions which prevailed.

Because employers' associations were more negotiatory in character after 1937, it should not be thought that they had relaxed their antiunion efforts entirely. Now, however, with unionism and collective bargaining seemingly here to stay, employers' associations concentrated largely on securing state and federal legislative restrictions upon the economic power of organized labor. These efforts have resulted in such legislation at the federal level as the Taft-Hartley Law of 1947 and the Landrum-Griffin Act of 1959, as well as in many similar laws on the state level, including "right to work" laws in a minority of states banning such union security devices as the closed and union shops. Analysis of labor relations legislation will be undertaken in Chapter 18.

CLASSIFICATION OF ASSOCIATIONS

Employers' associations may be classified in various ways. Thus, they may be classified as to the predominant function intended for them by their membership; they may be classified from a structural standpoint; and they may be classified in terms of their geographical scope.

Functional Classification

Belligerent Associations. This type of employers' association has as its predominant function the elimination of unionism and collective bargaining, if possible, or the imposition of severe restrictions upon unions whenever and wherever possible. The belligerent association is among the oldest types, having attained a status of permanency near the beginning of the present century. A major portion of such associations were supported by employers who honestly believed that the right of the employer to operate his firm as he saw fit was highly essential for the economic progress and survival of the firm and of the free enterprise society as well. Consequently, many of these associations utilized a wide repertoire of antiunion devices, ranging in nature from the very ruthless to the most subtle, and all aimed at discouraging workers from joining unions or at breaking up unions already in existence. Since most of their tactics were made illegal by labor relations legislation of the 1930's, belligerent associations have given way to others of a more conciliatory nature, or have undertaken to change or subdue their approaches to unionism and collective bargaining.

Negotiatory Associations. The principal function of the negotiatory association is to unite the efforts of employers in securing the best possible labor contract with a given union or unions. A secondary function is to guard against the "whipsaw" strategy of unions. Thus, the members of such an association have accepted in principle the existence of unionism and collective bargaining, either voluntarily or as a result of economic or legislative pressures. While some negotiatory associations existed here and there before belligerency became the rule, the universality of negotiatory associations actually dates from the 1930's, when the labor relations laws of that decade plus the rapid growth of labor unions made their formation imperative. The typical negotiatory association pools the financial contributions of the membership to employ persons adept at collective negotiation as well as staff experts and clerical personnel. While the association makes every effort to maintain a solid front before the union until a joint settlement is attained, it does not legally bind its members; as a result, they sometimes drop out of the association's ranks to settle with the unions on their own. The association

usually does not help member firms to administer the contract once it is signed, but it may engage in research activities between bargaining sessions in order to facilitate the next round of bargaining.

The Administrative Association. This type of employer organization is the most highly formalized of all and presents the most solid front to organized labor. Thus far, it has been little used, existing mainly in some West Coast cities where relatively small employers face very militant and powerful unions. The administrative association maintains a full-time staff of experts and professional negotiators. The power of attorney is typically given by the member firms to the negotiators, thus empowering them to bind the member firms in whatever labor contract the negotiators are able to arrange.

As its name implies, the administrative association's services do not end with contract negotiation but carry over into the realm of contract administration. The association aids member firms in the day-to-day administration of the contract even to the extent of processing grievances for member firms in order to prevent "whipsaw" tactics of the unions designed to wring concessions from a given employer on the basis of prior concessions secured from a competitor. The association may even draw up common standard job descriptions for member firms, thus assuring a basis for resisting union wage demands resting on alleged differences in job content. The association's staff also conducts constant research in order to strengthen its bargaining position for the next period of negotiation. Finally, the association provides continuous legal counsel for member firms, acquainting them with new developments in the related fields of legislation and court or labor relations board decisions.

While the administrative association has not been too widespread to date for a number of reasons, including the reluctance of employers to give the power of attorney to professional negotiators, its popularity may increase in the future. This will be most likely to occur as and when union prevalence and power increase in other areas or industries characterized by relatively small employers.

Consultative Associations. The principal function of the consultative association is simply to furnish a meeting place or clearinghouse where members may get the "feel" of what to expect in forthcoming bargaining sessions. The least formal of all associations, the consultative association neither negotiates nor administers labor agreements, nor does it maintain a large or full-time staff. Once a year, usually close to the time when most of its members will be bargaining with their respective unions, the association sponsors a meeting attended by representatives of member firms. At this meeting, union proposals are anticipated and discussed, as are also possible employer counterproposals. While the association may take a vote of the membership to ascertain the counterproposals which are favored, the members are never bound to follow the majority opin-

ion. When the meeting adjourns, each member firm goes home to bargain on its own with the union or unions. It is highly probable that a somewhat similar approach to collective bargaining is made by the respective members for having consulted together, but there is no mechanism for assuring that this will be the case.

At present the negotiatory association is by far the most common functional type found in this country. The belligerent association, per se, has virtually been eliminated by law, although some so-called "negotiatory" and "administrative" associations may appear to be quite belligerent at times. A minority of associations are either of the administrative or of the consultative variety.

Structural Classification

Structurally, employers' associations display a very close parallel to labor organizations. This is to be expected, since a given group of employers, faced by a particular union structure, would tend to find it to their advantage to oppose it with a similarly structured association.

Trade or Craft Associations. The oldest type of employers' association from a structural viewpoint is the trade or craft association, just as the trade or craft union is the oldest form of labor organization. Such an association confines its membership to employers of a given craft or trade, although on occasion, such an association may be multicraft in nature, representing employers of two or more related crafts. Because of the limited scope of the trade or craft type of association, a given employer may find it essential to belong to several such associations, since he must bargain with several different craft unions, in all probability. Examples of trade or craft associations are master carpenters' associations and employing printers' leagues.

Industrial Associations. Industrial associations parallel the industrial union; and since the latter has registered phenomenal growth in this country during the past third of a century, so also have industrial associations of employers. Such an association attempts to enlist as members all employers within a given industry, regardless of the grades of workmen employed. It is highly probable that this type of association will continue to grow in popularity in the future as industrial unionism continues to overshadow the older form of craft unionism. Two examples of industrial associations would be the Railway Executives' Association and the National Founders' Association.

General Associations. The most inclusive of all employers' associations from a structural standpoint is the general association. Usually local in geographic scope, this type of organization extends membership to any or all employers of union labor or potential employers thereof within a

given locality, usually an industrial city. Since such an organization would not lend itself to collective negotiation, in all probability the general association has usually existed as a belligerent antiunion agency. As a result, the general association has declined in popularity as labor relations legislation has banned union-destroying devices of the belligerent association. However, if, as anticipated by many observers, the general union becomes more common, the heretofore belligerent general association of employers may of necessity become more negotiatory in nature. Any employers' association restricted by craft or industrial boundaries would obviously be inadequate to bargain with a large, general union of employees.

Geographical Classification

Geographically, employers' associations also parallel labor unions to a great extent. Thus, there are local associations which are the counterpart of local unions; city federations of employers' associations, which resemble union city central bodies; state and regional associations, which are much like similar organizations on labor's side; and national employers' associations, which exist opposite the national labor unions. In one organizational aspect, however, there is no parallel between employers' associations and labor unions. That is, there is no national federation of employers' associations which serves as the counterpart of labor's AFL-CIO. This is contrary to the experience of most industrial nations, where most of the employers' associations usually are headed by one dominant national federation, as are most of the national unions.

The absence of a national federation of employers' associations in this country is difficult to explain. While it is true that other levels of employers' association lagged somewhat behind labor unions in their development, it has been too long since the emergence of the AFL (1886) for time lag to suffice as the sole explanation. It is possible that the answer lies in three characteristics of the national scene. Thus, in the first place, the fact that nationwide bargaining has not progressed here to the point it has attained in other countries may in part obviate the need for a national federation of employers' organizations. In the second place, it is possible that certain existing organizations, such as the National Association of Manufacturers and the Chamber of Commerce of the United States, may be carrying out the functions which a federation would ordinarily assume to a degree thus far satisfactory to employer groups. It is well known that these and other large employers' organizations lobby extensively in state and federal capitals, and provide legal and other counsel for their membership which serves as an aid in collective bargaining. Finally, the fact that the AFL-CIO, unlike many

foreign labor federations, does not itself engage in collective bargaining may explain the seeming lack of need on the part of employers' associations for a national federation.

It should be noted, however, that neither of the last-named employers' organizations above is a federation. A federation is a union of several individual associations, not an organization of individuals. Both the NAM and the Chamber of Commerce of the United States, of course, are organizations of individuals rather than of associations. Their memberships are confined to particular types of employers, too, and thus are not as inclusive as a federation of associations would be. It will be of interest to observe whether at some future date employers' associations, like national unions, decide to federate on a national basis.

ASSOCIATION GOVERNMENT AND FINANCE

Employers' associations, on average, have markedly fewer members per unit than do labor unions, both at the local and at the national levels. Thus, locally, union members probably outnumber employers' association members by as much as 10 to 1. Nationally, the differential is even greater, with national union membership perhaps exceeding that of national employers' associations by 800 to 1.⁶ As a consequence of the smaller average size of employers' associations, less complex organization and government are necessary than for labor unions.

The typical association is governed by a board of directors, with one or two permanent and full-time officers to serve as administrators of the association's affairs. The National Association of Manufacturers, for example, is under the direction of a Board of Directors, 12 of whom are elected at large from the whole membership, while the remainder are elected on a state-by-state basis, with a maximum of three being elected from any one state. The Board, in turn, names the president, vice presidents, chairman of the Executive Committee, and treasurer. Standing committees are also set up to deal with specific activities of the organization, much as in the case of a large national union. Departments are also to be found within the NAM, such as the Law Department and the Public Relations Department.

Employers' associations, like unions, draw up rules and regulations or bylaws from time to time to insure loyalty, order, and cohesion within the group. To enforce obedience, the typical association will make use of fines in the case of minor infractions, and suspension or expulsion where major bylaws have been broken. While expulsion from an employers' association may not be so serious for an employer as a similar penalty for a member of a tightly controlled craft union, it can on occasion prove to

⁶ Bonnett, *op. cit.*, p. 15.

be a grave problem. Such an employer may find it difficult at times to secure service, parts, materials, or even credit as the members or supporters of the association apply pressure on him. The more subtle, but nevertheless effective, device of social pressure is usually another cost borne by the expelled employer. One of the most serious offenses a member of an association can commit, of course, is that of breaking with the association during bargaining and drawing up an agreement with the union or unions singlehandedly, a move which, in turn, puts pressure on the firms who stay in the association to agree to similar terms. The administrative association, as noted earlier, solves this problem by binding its members through the surrender by them of the power of attorney. Most associations, however, rely on the threat of suspension or expulsion, with some requiring the posting of a bond by all members as insurance against their defection.

The rules of membership of most employers' associations impose few limitations upon membership. Of course, if the association is industrial, trade, or craft in nature, this in itself is a limiting factor. Some associations, however, may limit membership in other ways, such as admitting only those firms which have been relatively free from serious periodic labor disputes.

Financing of an employers' association bears many resemblances to the financing of a labor organization. The principal source of funds is the *membership dues*. These are usually annual dues and may be in the form of a flat amount paid by all members alike or of varying amounts apportioned as to the size of business volume or the size of payroll. *Initiation fees* also constitute a small source of funds for most associations. The medium of *special assessments* is used periodically for political or economic purposes. In the latter category would fall such items as assessing the membership to aid a member being struck or boycotted by a union, while assessments for political purposes are designed to help elect "friends" of employers' associations and defeat their "enemies." As noted above, another occasional source of revenue may be *fines* levied on recalcitrant members. Finally, an association of any age and size will realize some earnings from *investments*.

Special Problems

One of the peculiar problems of an employers' association is the fact that within the membership will be a wide variation in attitudes as to what the proper approach to union demands should be. This is natural, since the members may range all the way from marginal firms, barely able to remain in operation, to the most efficient and prosperous companies. Hence, during a given period of negotiation, some firms will think a wage increase less expensive than a strike or lockout, while others will

prefer the strike or lockout to any wage advance whatsoever. As a result, the association must first arrive at a workable compromise within its own membership as to the determination of its upper and lower bargaining limits.

Related to the above problem is the problem of determining when a labor agreement goes into effect. In some associations the agreement may not be binding on a given member firm until that firm's representatives sign it. In other associations, notably of the administrative variety, since the negotiator is given the power of attorney, the agreement becomes binding upon all members as soon as the negotiator and the union or unions have signed it. In several associations the agreement is subject to ratification by a majority of the members, with the terms then becoming binding upon all members; in a small number of associations, ratification by *all* members may be a requirement.

Probably the most serious problem of employers' associations in this country, however, is the difficulty of inducing all eligible firms to join. A number of reasons account for the reluctance of employers to associate with fellow employers, including possible personality differences or business jealousies, the feeling on the part of a given employer that he can do a better job of negotiating with the union alone, and the fact that economic pressures may not be great enough with respect to given firms to make cooperative economic action seem essential. It is possible, too, that a marginal firm may fear that any agreement which the association might achieve would be economically undesirable for the marginal firm.

EXTENT OF ASSOCIATION BARGAINING

Collective bargaining between employers' associations and national unions or combinations thereof has become virtually the rule in some industrial nations, e.g., England, West Germany, Sweden, and Australia. In the United States, however, association bargaining is still the exception, although its incidence has increased considerably over the past quarter of a century.

A study by the Bureau of Labor Statistics in 1950 of a sample of 3,300 collective bargaining agreements covering over four million workers produced the following findings.⁷ The single plant was found to have been the bargaining unit in 68 percent of the contracts, but these contracts covered only 28 percent of the employees in the survey. A bargaining unit of multiplant proportions figured in 12 percent of the agreements, but these agreements covered 39 percent of the workers in the study. Multiemployer bargaining units (associations) were found to

⁷ Bureau of Labor Statistics, U.S. Department of Labor, *Collective Bargaining Structure: The Employer Bargaining Unit*, Report No. 1 (Washington, D.C.: U.S. Government Printing Office, 1950).

have accounted for 20 percent of the contracts negotiated, and these contracts applied to 33 percent of the workers. Thus, while 68 percent of the labor contracts were negotiated on a single-plant basis, 72 percent of all workers under contract in the survey were working either under multiplant or multiemployer contracts, a proportion which is significantly larger than would have been found prior to World War II.

Eleven years later—in 1961—the Bureau of Labor Statistics made a similar study of 1,733 labor agreements covering over 8.3 million workers. About 28 percent of the contracts were single-plant documents covering a little over 12 percent of the workers involved in the study. Thus, 11 years had produced a considerable decline in the single-plant contract. By contrast, the percentage of agreements of a multiplant nature had risen to about 36 percent, while multiemployer contracts had also reached about 36 percent. By 1961, about 41 percent of the workers involved in the study were working under multiplant contracts, while over 46 percent were working under multiemployer agreements.⁸

The 1961 study, while showing an increase in multiemployer contracts, definitely indicated that such contracts were to be found more among smaller companies except for the railroad industry. The industries in which multiemployer bargaining was most common were lumber, furniture, printing and publishing, leather, trade, hotels and restaurants, and services. Nonmanufacturing firms were found to utilize multiemployer bargaining to a greater extent than manufacturing firms, with over 75 percent of their workers under such contracts in contrast to the 20 percent so covered in the manufacturing category. Finally, it was noted that about half of the 329 major agreements, each of which covered 5,000 or more workers, were multiemployer agreements. Included among these were five of the nine largest agreements in the nation.⁹

Since 1950, some major industries with large numbers of industrial employees have been approaching association bargaining. The automo-

⁸ "Major Union Contracts in the United States, 1961," *Monthly Labor Review*, October, 1962, pp. 1136-44.

⁹ There have been few regional studies of association bargaining, but one study by Professor Kennedy on the West Coast in 1959 disclosed some interesting developments there. For example, he concludes that between 40 and 50 percent of the Pacific Coast bargaining units are multiemployer units. This would probably mean that a majority of employers and perhaps two thirds of the employees in this region are covered by association bargaining. Professor Kennedy attributes the greater incidence of association bargaining on the West Coast to the unusually high proportions of employment and union penetration in certain industries such as construction, trucking, and warehousing. Association bargaining is pictured as equalizing bargaining power and stabilizing labor costs. It is also asserted that it may have reduced strike incidence. Certain it is that association bargaining has reduced the degree of self-determination in labor relations even in the small-employer, highly competitive local markets. See Van Dusen Kennedy, "Association Bargaining," *Monthly Labor Review*, May, 1959, pp. 539-42.

bile industry in 1958, during the dispute over requested raises in wages, moved closer to association bargaining than at any time in its history. In the negotiations of 1961 and 1964, there was strong evidence of conferring together on the part of the "Big Three" auto firms with a resultant common front being presented to the United Auto Workers union. Theoretically, however, the union still bargains individually with each of the Big Three.

Also in 1958, the airlines presented a solid front to the airline pilots' organization, a move which hinted that possible association bargaining might soon obtain in that industry. Under the 1958 airlines' agreement, member airlines which continue to operate while one or more are on strike must turn over to the strike victims any excess revenues resulting from their increased business during the strike. Costs of doing the business are deducted prior to the payments, but extra contributions are to be made by the nonstruck companies if excess revenue payments are not enough to cover at least 25 percent (50 percent, 1970) of the normal operating expenses of the struck airlines. Members of this pact include American Airlines, Eastern, Northwest, Trans World, and United. From the time of the agreement in 1958 until the summer of 1966 amounts paid out by various member airlines had varied from as much as \$4.6 million to as much as \$5.6 million. It has been a helpful arrangement, but it has not eliminated the costs of strikes to the industry.

As of 1967, 400 newspapers were united to provide a type of strike insurance. Under the agreement a strike victim could collect benefits of as much as \$20,000 per day for as many as 50 days of strike.¹⁰ Maximum benefits of \$2 million were set for any group of publishers in any one city or under any one union's contract. Also, in 1967, the five major rubber companies negotiated an agreement which provides that any struck member firm will be reimbursed for a portion of its losses by the firms not on strike on the basis of an undisclosed formula.

While some of the above cooperative efforts to spread the costs of strikes over a wider base have not really been of a bonafide insurance nature so much as a form of profit sharing, the Associated General Contractors of America adopted in 1969 a plan known as "interruption insurance." The plan is carried by an offshore agent of Lloyd's of London and provides payment of daily indemnities to the insured firm after a strike has been in existence for 10 days. The struck firm can receive a maximum of 60 days of benefits in any one year. Premiums for this insurance range from \$3,000 to \$360,000 per year, while benefits may range from \$1,000 to \$120,000 for each working day of a strike. Although the plan was approved by the AGC in 1969, the first indemnity payments

¹⁰ "Divide and Conquer Isn't So Easy," *Business Week*, June 10, 1967, pp. 59-60. See also "Contractors Try Strike Insurance," *Business Week*, April 5, 1969, p. 56.

were scheduled for July, 1970. The plan is not limited to members of the AGC but is available to nonmember contracting firms as well. Any employer joining this venture is bound to continue in the plan for a minimum of five years. Finally, during the long 1959–60 steel strike the major steel firms were virtually utilizing association bargaining, but it was weakened somewhat by the breaking of ranks on the part of the Kaiser Steel Company to sign a contract with the union in advance of other firms.¹¹ In view of these signs, it is highly conceivable that the nation may move toward more association bargaining in the future, assuming no legislation is enacted prohibiting this type of bargaining or that present antitrust laws are not invoked successfully against it.

Several forces may be combining to move this nation in the direction of association bargaining. In the first place, many other major nations have already adopted such bargaining as the rule, a fact which may influence labor and management groups in this country to take similar steps. Secondly, as labor negotiations become more complex, the small firm, and even the large firm at times, is at a distinct disadvantage in bargaining with a powerful national union or unions and may be impelled to enhance its bargaining strength via an association. In the third place, the possible future development of industrial and general unionism in this country, which has lagged thus far somewhat behind similar developments elsewhere, may of itself make it desirable from the single firm's point of view to unite the firms of an industry or industries, just as the national industrial or general union may have united all or most of the workers of an industry or industries. In addition to being an inevitable defensive move by firms in an industry organized by an industrial union, it may also be considered by the firms as an economy move, since association bargaining eliminates a lot of the motions necessary in bargaining conducted on a firm-by-firm basis. It should be reiterated, however, that not all firms in a given industry will be in agreement on the desirability of association bargaining. Marginal firms may oppose it because of the fear of not being able to meet the contract terms, while exceptionally powerful firms may prefer to fight their own battles simply because they consider themselves well equipped to do so.¹² On the plus side from management's viewpoint, at least one study of employers' associations in a given metropolitan area purports to show a lower incidence of work stoppages and grievance rates among association

¹¹ For a detailed discussions of employer cooperation in automobiles, steel, and airlines, see "Management Cooperation in Bargaining," excerpts from papers presented at meeting of Industrial Relations Research Association in Detroit, May, 1960 (*Monthly Labor Review*, June, 1960, pp. 586–97).

¹² Professor Frank C. Pierson has recently concluded that employers in both small-firm, competitive industries and in large-firm, less competitive industries will tend to coordinate their labor policies increasingly over years to come. See "Management Cooperation in Bargaining," *ibid.*

member firms than among nonmember firms.¹³ Severity of work stoppages was also found to be somewhat lower among member firms as were labor turnover rates.

On the side of labor unions, too, there are mixed reactions to association bargaining. Many unions favor association bargaining as an economical approach to negotiation as well as a solid defense of the common rule or union wage scale which has always been a goal of unions. On the other hand, some unions are likely to oppose association bargaining either because it eliminates their proven strategies of "whipsaw" or "divide and conquer," or because it makes it impossible for them to maximize their wage bargain in the more efficient firms through reliance on the "ability to pay" argument to force wages in such firms higher than average.

Thus, there are forces on both sides of the labor market which seem to be moving the nation toward increased use of association bargaining, and these forces seem to exceed those pushing in the opposite direction. The result over the immediate future will depend probably on administrative, judicial, or legislative action which may either encourage or condemn the trend. If association bargaining does become more common, it is debatable whether the nation as a whole will gain thereby or will lose. On the one hand is the argument advanced by many writers that larger scale bargaining means more responsible bargaining as the principal actors are farther removed from the whims of their constituents. On the other hand, the argument is advanced that association or large-scale bargaining means inevitably nationwide strikes, which can but result in more governmental intervention in labor relations—perhaps to the point of compulsory arbitration, first in basic industries and then, perhaps later, in most industries. It is certainly true that the increase in association bargaining since 1950 has been accompanied by increasing governmental participation in labor relations. Whether a causal relationship exists between these two concomitant developments, however, might be exceedingly difficult, if not impossible, to establish. Experience abroad would seem to indicate that nationwide bargaining has not been responsible enough to solve the problem of chronic inflation.¹⁴ On the other hand, it has tended to result in increasing degrees of governmental participation in labor relations. Perhaps the trends are so inevitable as to make national choices highly limited.

¹³ Max S. Wortman, Jr., "Influences of Employer Bargaining Associations in Manufacturing Firms," *Industrial Relations Research Association Proceedings of the 15th Annual Meeting*, Pittsburgh, Pennsylvania, December 27–28, 1962, pp. 69–82.

¹⁴ This is not meant to imply that collective bargaining is the prime cause of chronic inflation but merely that variations from the pattern here in collective bargaining have not lessened the problem. This may serve to indicate that instead of being a product of collective bargaining, chronic inflation may be a result of full employment, with collective bargaining being only one medium of transmission.

INTRAFIRM ORGANIZATION FOR COLLECTIVE BARGAINING

Thus far, this chapter has been concerned with interfirm organization for collective bargaining or related purposes. This has been a major development within free enterprise industrial nations. Another type of development, also fostered by the growth of collective bargaining, has been the development of intrafirm organization related to labor relations. This evolutionary reorganization of the firm from within for more effective labor relations has been less spectacular than the growth of employers' associations, but it has been no less important in many respects. As a matter of fact, many firms have reorganized internally for collective bargaining before finally turning to association with other firms to strengthen their labor negotiations.

In the small firm, of course, the owner/operator performs nearly all functions necessary to the negotiating of employment conditions with the union or unions involved. In the larger corporate entity, the type of employing unit most apt to be employing unionized labor, all personnel policy, including that of labor relations, has come to be centralized in either a Personnel Department or one known as the Industrial Relations Department.¹⁵ The former title is common in small firms, while the latter is preferred by large firms. When such organization is effected, the foreman's function in relation to industrial relations is made somewhat less vital, although he still is important in implementing the policies drawn up by the Personnel or Industrial Relations Department and in enforcing the labor contract.

The labor relations aspect of the typical firm has been accorded increasing importance and attention as collective bargaining has become more common. The basic policies are determined by top management, while the labor relations staff, consisting of specialists who advise line officials on the best course of action, attempts to cope with the day-to-day problems.¹⁶ Thus, the labor relations staff is entrusted with such functions as negotiating labor agreements periodically; supervising the administration of the labor agreement, once it is in effect; handling grievance cases which arise from time to time; and administering hourly wages.

The above developments, largely a product of the past quarter of a century, represent a growing awareness by corporate management that

¹⁵ See Dale Yoder, *Personnel Principles and Policies* (2d ed., Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1959), chap. v.

¹⁶ As Professors Baker and France have observed, important industrial relations decisions are commonly consummated at high managerial levels, with little likelihood of a reversal of this development. See Helen Baker and Robert R. France, *Centralization and Decentralization in Industrial Relations* (Princeton: Princeton University Press, 1954), p. 201.

labor relations of the firm are among the most crucial determinants of the firm's eventual success or failure. Many firms during the 1930's were forced, literally, to reorganize for effective labor relations when they suffered rather serious defeats at the hands of the more skillful and aggressive labor representatives in collective bargaining.

In the final analysis, collective bargaining has influenced many of the functions of the Personnel or Industrial Relations Department aside from those relating to labor relations. Many of the personnel manager's tasks in recruiting, selecting, and placing workers have had to be carefully scrutinized and modified since the coming of collective bargaining and labor relations law protecting collective bargaining. Certainly, most students of this area would agree, too, that the sundry group welfare plans in the typical large firm—such as insurance, pension, and profit-sharing plans, to name only a few—have often owed their existence to demands of unions or to the desire, perhaps, of the firm to avert employee organization. The cost and administration of unemployment and workmen's compensation programs by firms must also be partially attributed to the influence of organized labor on welfare legislation, and to these must be added old-age and survivors' insurance, which has entailed additional responsibilities for the firm. Finally, medical and safety programs in many firms have been set up often as a result of insistence by the union. Joint union/management safety committees are quite commonly found in large unionized firms.

Not only has collective bargaining necessitated in the typical firm a more systematic organization therefor, but it has also been apparent in recent years that the personnel or industrial relations head has been gradually elevated as to status in the managerial hierarchy. Thus, the Bureau of National Affairs discovered in one study that about 62 percent of the vice presidents in charge of personnel or industrial relations reported directly to the company president in large firms. In smaller firms the proportion was found to be even higher, with 66 percent of the directors of industrial relations reporting to the company president.¹⁷ The gradually improved hierarchical status enjoyed by officials in charge of industrial relations is itself somewhat of a testimony to the importance which the employing unit has been forced to accord to labor relations.

SUMMARY

It has become apparent in this chapter that industrialization, which ushered in the institution of labor organization, also gave birth to the related institution of interfirm associations for bargaining purposes.

¹⁷ Bureau of National Affairs, Inc., *The Personnel-Industrial Relations Function*, Survey No. 17 of Personnel Policies Forum (Washington, D.C.: U.S. Government Printing Office, March, 1953), p. 2.

While such associations, for various reasons discussed in this chapter, have tended to become negotiatory in character, they were predominantly belligerent and antiunion in nature for many years until labor relations legislation and growing worker organization in the 1930's virtually forced a major change in the functional orientation of employers' associations.

The classification, government, and financing of employers' associations were noted as being quite similar to their counterparts in labor organization. In fact, in so far as the classification of associations is concerned, considerable influence was probably exerted by labor organizations on employers' associations.

Finally, it was pointed out that collective bargaining has had its influence upon the internal organization of the firm. Increasingly over the past 35 years, major firms have set up structures for handling their labor relations and have accorded increasing prominence to the directors of such agencies within the management hierarchy.

The developments noted in this chapter have been occasioned largely by economic considerations of the employing unit. Thus, in most cases where firms have taken a new step organizationally, the step has been prompted by a desire to match or exceed the economic power previously marshaled by labor. It is safe to conclude, therefore, that most of the institutional developments on both sides of the industrial nation's labor markets have had an economic orientation and instigation traceable to the unfolding industrialization process itself.

DISCUSSION QUESTIONS

1. Why have employers' bargaining associations lagged behind labor unions in their development?
2. What were some of the 19th-century tactics used by employers' associations to cripple the power and prestige of unions?
3. Employers' associations began in industries such as shoemaking, printing, and building. Why?
4. Compare the common experience of employers' associations and unions in this country of "selling" organization to everyone in their groups and of retaining them as members later.
5. For what reasons, in your opinion, did employers' associations promote European immigration after the Civil War?
6. Why do you think employers often used Chinese laborers and Negroes as strikebreakers during the last quarter of the 19th century? Could this possibly have had a bearing on labor union attitudes toward Negroes and alien workers?
7. What difference do you see between collective bargaining and collusive bargaining?

8. Despite numerous belligerent employers' associations and the development of numerous antiunion tactics, unionism continued to grow in this country. How can you account for this?
9. Of what value to employers would the informal consultative type of association be?
10. What developments on the union side of the labor market could lead to the growth of *general* employers' associations in the future?
11. Discuss the possible reasons for the absence in this country of a national federation of employers' associations.
12. Comment on the problems faced by an employers' association in determining upper and lower bargaining limits.
13. Why has association bargaining grown more slowly here than in European countries and England?
14. Is the ultimate end of association bargaining nationwide bargaining, or possibly even compulsory arbitration? If so, is this desirable, in your opinion? Why?

SELECTED READINGS

- ALBERS, HENRY H. *Principles of Management*, chap. vii. 3d ed. New York: John Wiley & Sons, Inc., 1969.
- BAKER, HELEN, and FRANCE, ROBERT R. *Centralization and Decentralization in Industrial Relations*. Princeton: Princeton University Press, 1954.
- BONNETT, CLARENCE E. *History of Employers' Associations in the United States*. New York: Vantage Press, 1956.
- HUNTER, ROBERT. *Violence and the Labor Movement*. New York: Macmillan Co., 1914.
- KENNEDY, VAN DUSEN. "Association Bargaining," *Monthly Labor Review*, May, 1959, pp. 539-42.
- PIERSON, FRANK C. "An Appraisal of Management Cooperation," *Monthly Labor Review*, June, 1960, pp. 595-97.
- RAYBACK, JOSEPH G. *A History of American Labor*. Rev. ed. New York: Macmillan Co., 1966.
- U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS. *Collective Bargaining Structure: The Employer Bargaining Unit*. Report No. 1. Washington, D.C.: U.S. Government Printing Office, 1950.
- YODER, DALE. *Personnel Principles and Policies*, chap. v. 2d ed. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1959.

INTERNAL ACTIVITIES OF BARGAINING AGENTS: COLLECTIVE BARGAINING

Having discussed the growth, structure, and government of labor organizations and employers' associations, attention will be directed in this chapter to some of the activities, tactics, and devices employed by these entities. For the purpose of analysis, the activities of the institutions in question have been divided into *internal* activities and *external* activities. The former, which will be dealt with in this chapter, are the activities carried on by the two parties within the labor/management family, so to speak, and center around the whole process of collective bargaining. External activities, to be discussed in a succeeding chapter, are those carried on by the two parties largely outside the labor/management family and center around political, legislative, and public relations activities of labor and management groups.

In addition to a consideration of the internal activities of labor unions and employers' associations, reference will also be made to similar activities of the individual employer, since association bargaining is not predominant as yet in this nation, as noted in the preceding chapter. Finally, the broad, overall objectives of the internal maneuverings of the two parties will be analyzed as they are reflected in the provisions of the typical labor agreement and in the nature of industrial government generally.

PRIMARY INTERNAL ACTIVITIES

The internal activities, tactics, and devices of labor unions and employers (or associations) may conveniently be subdivided into *primary* and *secondary* categories. Primary internal activities are the major activities carried on by the two parties within the labor/management family.

Secondary internal activities, on the other hand, are appropriately classed as auxiliary to the primary activities, or as reinforcing activities designed to strengthen the respective party's major or primary operations.

Primary Activity of Labor Unions

Undoubtedly, the primary internal activity of the labor union is collective bargaining. As noted in an earlier chapter, the basic reason for the emergence of labor organization originally was the replacement of individual bargaining with the more potent collective variety. From its 18th-century beginning in the United States down to the present, collective bargaining has grown in use to the point where probably more than 116,000 labor contracts are currently in existence within this economy.¹ The term *collective bargaining*, however, was not popularized until the 1890's, when Sidney and Beatrice Webb allegedly first used the phrase in their book, *The History of Trade Unionism*, which was published in 1894.

Union Recognition. Before a labor union can engage in collective bargaining, it must first secure from the employer recognition as the official representative of the majority of the workers in the bargaining unit. Until the 1930's in this country, the issue of union recognition was usually decided by a test of sheer strength via a strike and/or lockout unless the employer voluntarily agreed to bargain collectively. Since the enactment of federal labor relations legislation of the 1930's, however, union recognition has been made largely a matter of legal process. Thus, under the National Labor Relations or Wagner Act of 1935, if an employer refuses to recognize a union as the bargaining agent for his employees, either the employer or the union may request the National Labor Relations Board to conduct a representation election in the bargaining unit.² In the ensuing election, employees may find several alternative choices on the ballot—one for each of the unions seeking to represent them plus a “no union” alternative. If no single choice receives a majority of votes cast, a second or runoff election is conducted, with

¹ As of 1966, only 14 unions were credited with almost 68 percent of these contracts, each having 2,000 or more. Thirteen of the unions in question were affiliates of the AFL-CIO. Unions with the largest number of agreements were to be found in building and construction, with printing and retail unions next in line. Of the three unions not holding any contracts, two were unions of government employees. See Bureau of Labor Statistics, U.S. Department of Labor, *Directory of National and International Labor Unions in the United States*, Bulletin No. 1596 (Washington, D.C.: U.S. Government Printing Office, 1968.)

² See Walter L. Daykin, “Determination of Appropriate Bargaining Unit by the NLRB: Principles, Rules and Policies,” *Fordham Law Review*, Summer, 1958, pp. 218–35.

only two choices on the ballot—the two scoring the largest number of votes on the first election, one of which can be the “no union” choice. If a given union now receives a majority of the votes cast, it is certified by the Board as the duly chosen bargaining agent of the employees. If the “no union” alternative receives the majority of votes cast, however, collective bargaining has been vetoed by the work group, at least for the present, and this is so certified by the Board and another election may not be held under the law for 12 months.

While union recognition via legal process is the rule under federal law and in a dozen states which have similar labor relations enactments, it should be noted that it may still be a matter of a test of sheer strength for intrastate employers and employees in a majority of states which have no such legislative provisions. Since the latter group consists of the less highly industrialized states, and since the bulk of organized industrial employees either comes under federal labor relations law or the 12 similar state laws, the “law of the jungle” prevails for only a minority of organized employees or others contemplating the adoption of collective bargaining. It should be pointed out that not all cases involve the rule of law or the test of strength; many instances occur each year wherein the employer voluntarily recognizes the union, thus making unnecessary either of the two processes noted above.

As may be imagined, the typical labor union desires wholehearted employer *acceptance* in addition to recognition. This is true because recognition may be of a grudging or reluctant variety, acquired by force of law, and the employer tendering such recognition may just be waiting for the next opportunity to eliminate the union from his plant or firm. On the other hand, wholehearted acceptance of the union by the employer connotes a more or less permanent and peaceful collective bargaining relationship, subsequently, in which the union can feel reasonably secure. While it is probably true that most major employing units which are organized have come to accept unionism and collective bargaining as here to stay and have consequently given up their efforts to “break the union,” it is also recognized that a minority of large employing units and probably a larger proportion of small employing units have not given up the possibility of eliminating the union and collective bargaining from their midst. There can be little doubt that the nature of the recognition won by a given union from the employer in question has much to do with the quality of the industrial relations which will follow.

Negotiation by the Union. Assuming the union has been able to win recognition from the employer, it must thereafter be prepared to negotiate periodically with the employer or with an association of employers. The number and type of negotiators utilized by the union, as well as the techniques employed by the negotiators in actual bargaining sessions, will vary greatly from one situation to another. Thus, differences in

bargaining personnel and approaches may depend upon whether the bargaining is carried on between a local union and a single firm, between a national union and a single firm, or between a national union and an association of firms. Other determinants may very well include the history of labor relations between the two parties in question, the personnel involved, and techniques favored by the opposing parties.

If the local union is negotiating for the employees, the typical approach is for the members to elect a bargaining committee, with the president of the local union serving as its chairman. Since the bargaining committee of a local union is close to its constituents, a very democratic relationship may prevail in which union members are free to suggest changes in the contract for which they think the committee should press during the bargaining sessions. In actuality, the number of members taking advantage of this prerogative in most cases would probably be small, since the number attending local union meetings is small and many of those in attendance would probably prefer to let others do most of the talking. It should be noted, however, that in crises where a strike may be a possibility, attendance at prenegotiation meetings by members may frequently be high.

If the negotiation in question is conducted by a national union, both the negotiators and their relationship to local union members will be quite different from the preceding situation. Typically, the national union's negotiators will consist of its top officials who, in turn, may be augmented by representatives from the local unions affiliated with the national union. As a matter of fact, the representatives from the local unions may on occasion be quite influential in the negotiations, especially if they come from large and powerful local affiliates.

The typical national union is more apt to clothe its negotiators with power to bind the union in a labor contract than is true of the typical local union, which nearly always insists upon ratification of the agreement by its members. However, in some instances, even a national union may be found to rely upon contract approval via the membership referendum. The fact that national unions usually give much leeway to their negotiators to act for the organization is probably a factor in the move toward larger scale negotiation. Employers have often been known to prefer bargaining on an area-wide or even industry-wide basis simply because the national union's bargaining representatives possess the authority to act for the whole group. The employer has often found himself at a strategic disadvantage when he has thought he has signed a relatively good and binding contract, only to see the union membership voting it down and thus requiring him to return to the bargaining table prepared to make more concessions. Failure of union members to ratify labor contracts has been somewhat on the increase in recent years not only in this country but elsewhere as well. The Federal Mediation and

Conciliation Service conducted a survey in 1967 as to reasons for failure to ratify on the part of union members. Those reasons which headed the list were as follows: 425 disputes, better settlements elsewhere; 310 disputes, union politics; 307 disputes, skilled workers' dissatisfaction; and 286 disputes, failure on part of union leaders to understand the true feelings of their members.³ Another study covering the period 1964-67 showed the percentage of labor contracts rejected by union members rising from 8.7 percent in 1964 to 14.2 percent in 1967.⁴

In so far as the bargaining techniques of union negotiators are concerned, these also vary with the individuals in question and with the level or scope of the union involved in the negotiations. Local union bargaining representatives are usually much less professional and polished in their performance than are their counterparts at the national union level. This may be offset, however, by the help given local negotiators by staff personnel of the national union. Negotiators of a national union are frequently highly trained, full-time professional negotiators who are quite adept at collective bargaining. Their bargaining ability is further augmented by the fact that they are fully informed as to economic conditions generally, the financial condition of the firm, and the present economic health and future potentialities of the industry. In addition, such negotiators are cognizant of the terms which have heretofore been negotiated by other unions within the same or related industries and are aware that they must do relatively as well by their constituents as rival union negotiators have done for their members if union membership is to be maintained or increased and the current leadership retained in office. Additional help for negotiators was initiated by the Federation in 1969 in the form of a school for training full-time union officials from all over the country in the art of sharper bargaining techniques. Although only 400 students were instructed in the first year, the AFL-CIO planned to instruct 900 students annually beginning with the second year.

Under federal labor relations law, the union, as well as the employer, is required to bargain in "good faith." This has been defined by the National Labor Relations Board as the making of proposals and counter-proposals, as opposed to the adoption simply of a "take it or leave it" attitude by either party. Despite the NLRB's attempt to define "good faith" bargaining, it is next to impossible to determine whether either party is really bargaining in this ideal manner. Still, the goal is laudable. Thus, the labor union, which typically initiates the negotiation, will present its proposals or demands to the employer in the early stages of

³ "Rank and File Revolts," *U.S. News & World Report*, November 27, 1967, p. 112.

⁴ William E. Simkin, "Refusals to Ratify Contracts," *Industrial and Labor Relations Review*, July, 1968, pp. 518-38.

bargaining. Following the employer's answer or counterproposals, the union will in turn respond to the employer in terms of modifying its original demands, making counterproposals, or withdrawing so-called "trading points" in return for concessions by the employer. Trading points or issues are points or issues about which the union is not currently too serious but which are introduced with the specific intention of using them to get the employer to make concessions on other issues about which the union is in earnest.

The union's demands or proposals may come from one or more of several sources: (1) members or delegates in attendance at local or national union meetings, (2) local union officials, (3) executive board members of the national union, (4) directors of the national union's regional offices, or (5) top administrative officials of the national union. In all probability, as unionism matures and the national unit shoulders more of the bargaining responsibilities, there is a tendency for the union's proposals or demands to originate at the top and to be "sold" to the membership, rather than for them to rise from the proverbial "grass roots." Obviously, the top leadership of a national union constantly tries to anticipate the demands which will be accepted by the membership with a minimum amount of selling because for top leadership arbitrarily to dictate all the demands which the membership is expected to approve would, in the long run, boomerang on the leaders' political security.

Throughout the negotiations, the employer's representatives will be attempting to ascertain the union's lower bargaining limit or "sticking point."⁵ The larger the number of demands advanced by the union, therefore, the more difficult it will be for the employer to determine the lower bargaining limit of the union. Furthermore, the greater the number of demands posed by the union, the easier it will be for it to alter its bargaining limit or "real" position without loss of face. In addition to serious demands and trading points, the union may introduce some demands as a prelude to subsequent bargaining in some future year. Thus, the guaranteed annual wage was introduced several times before the United Auto Workers bargained in earnest for it in 1956. This tactic gives the employer time to adjust his attitudes toward a demand which, at first blush, appears to him to be totally unpalatable. Finally, he may decide his acquiescence is inevitable, and the demand which has been tentatively introduced and reintroduced is then written into the labor agreement.

The union's demands today must be accorded different treatment by the employer than was the case in former years. Under federal law, as interpreted by the National Labor Relations Board and the federal judiciary, the union is permitted to obtain certain factual data from the

⁵ That is, the least the union will settle for rather than call a strike. See Chapter 4.

employer which may be pertinent to wages and salaries, job classification, wage-rate ranges, merit increases, production standards, manufacturing costs, and the like, in order to be able to bargain more intelligently. The union seeking such data need not show that the data are particularly relevant or indicate the use it tends to make of them. Furthermore, the employer who bases his refusal of requested wage increases on the grounds that he cannot afford them must furnish data which will support his claim of inability to pay the increases if asked to do so by the union. Finally, the union has a right to see time-study data which the employer has used in setting up work standards if it so desires. Thus, the typical union's demands or proposals in collective bargaining have undoubtedly been strengthened as well as increased via legislative enactments and judicial decisions during the past three decades.

Coordinated Bargaining. A new strategy in bargaining was initiated around 1964–65 known as coordinated bargaining or joint bargaining or coalition bargaining. It involves a united bargaining effort by varying numbers of unions with whom the firm formerly bargained individually. One of the early uses of this device involved a group of eight unions bargaining as one with General Electric and Westinghouse Corporation. In general the bargaining is confined to issues common to all unions, with local negotiations still being carried on in regard to items of special interest to given unions. Although resisted by employers, this strategy has grown modestly in use and has been sanctioned by the National Labor Relations Board and by a Federal Circuit Court of Appeals for the Second Circuit, New York, in June, 1969. It remains to be seen whether its use will spread still farther over the years to come. In 1969 some 10 unions were utilizing this concept in their bargaining with General Electric. In all probability the Supreme Court will ultimately rule in this matter. Consequently, the future of coalition bargaining is still in doubt.

Primary Activity of the Employer

While collective bargaining is obviously not the basic reason for the existence of employers—although it may well have been the origin of certain employers' associations—the employer whose firm has been unionized is forced to make collective bargaining his major internal labor relations activity, as the term is used in this chapter. Hence, as noted in an earlier chapter, the managerial hierarchy of the firm may well be affected in time by the necessity to bargain collectively. The firm, like the union, must determine what its attitude is to be toward union recognition; and if it recognizes or is forced under law to recognize the union or unions, the employment of skilled negotiators becomes essential.

The Employer and Union Recognition. Just as the union aggressively seeks recognition as a prelude to collective bargaining, the employer may

attempt to prevent or postpone such recognition in a variety of ways. Thus, he may try to man his plant through the hiring process with workers who are lukewarm toward labor organization.⁶ The employer may also attempt to influence his work force to vote against organization by his prerepresentation election speeches, in which the alleged advantages of remaining unorganized are extolled, while the alleged disadvantages of unionization are vigorously asserted.⁷ If two or more unions are seeking recognition simultaneously, the employer may urge his employees to vote for the one which would appear to be more desirable to the employer if he has become convinced that he will inevitably be forced to bargain with some union. The employer may even help to promote, under cover, a union within the firm in order to keep less desirable "outside" unions from organizing the employees.⁸

Despite all he may do, the employer may be unable to avoid recognition of a union as the representative of his employees. As implied heretofore, even after recognition, if the employer still refuses to accept unionism and collective bargaining as permanent fixtures in his firm, he retains a weapon in the form of nonacceptance of the union he is forced to recognize. Thus, he may persist in and even redouble his efforts to convince his employees that they would fare better without the union, hoping thereby either to defeat the incumbent union in some subsequent representation election or, possibly, to replace the union with some other union which might be somewhat less aggressive.

Negotiation by the Employer. Assuming the employer voluntarily recognizes, or is forced under law to recognize, a union, then he must be prepared to negotiate periodically with the union in question. The firm's negotiators or those of an employers' association vary somewhat as to make-up. Usually, officials high in the managerial hierarchy represent the firm or the association and frequently possess the power to bind the employer and/or the association in a labor agreement. The bargaining committee for the employer often consists of the plant manager, the superintendent, and the director of industrial relations.⁹ Added to this group may be one or more attorneys employed by the firm. The smaller the firm, usually, the smaller the number of bargaining representatives

⁶ If the employer operates under the jurisdiction of federal law, however, he must exercise great caution in this approach, since the law prohibits discrimination by the employer against job applicants solely on the basis of union membership or sympathy.

⁷ In his preelection utterances, the employer under federal law must be careful not to threaten workers who may vote for a union or to promise rewards to workers for voting against unionization.

⁸ In this venture, however, the employer under federal law may not legally finance or dominate an intrafirm labor organization. Such a union must be allowed to bargain over any topic which any other union may introduce.

⁹ See Commerce Clearing House, Inc., *Labor Law Course* (17th ed. Chicago, 1967), p. 1684-85.

utilized. In the case of association bargaining, one or more professional negotiators will probably represent the association. An employers' association faces a problem relative to membership ratification of the labor agreement which is similar to that of many unions. While the administrative type of association gives its negotiators the power of attorney to bind all the members in a contract, the purely negotiatory type of association will often rely upon a referendum of the association's members for ratification of the labor agreement.

Although the employer or an association will be represented by a committee of negotiators, it is customary to name only one as the official spokesman for the group. Experience has shown that this provides some insurance against the employer's hand being tipped via careless remarks relative to issues, proposals, and counterproposals by less skillful members of the committee. Needless to say, bargaining representatives of the employer must keep their constituents in mind at all times during the negotiations. In this connection, it is especially important that the negotiators preserve the profit level of the firm or firms and maintain the right of management to operate the plant or plants efficiently.

With respect to the drafting of "demands" (proposals and counterproposals), the employer's negotiators will usually wait until they have in hand the demands of the union before formulating their own proposals or counterproposals.¹⁰ Preparatory to bargaining, however, the employer's negotiators, like their union counterparts, will have amassed many data which may be useful in their negotiations. Among the demands often made by the employer's representatives will typically be one for a management-rights clause designed to preserve management's prerogative to operate the plant profitably and efficiently.¹¹ On the other hand, the employer's negotiators can usually be depended upon to oppose most "joint agreement" clauses, since these usually mean that changes in conditions of employment can only be made after consultation with the union. Increasingly, too, employers' representatives have demanded the insertion of a "no strike" clause in order to assure uninterrupted production during the life of the contract. Normally such a clause is combined with a "no lockout" clause as well as the contractual provisions relating to the arbitration of disputes.

It is safe to say that since the union typically is the aggressor in collective bargaining, the employer's demands will be fewer in number than those of the union. Most of the employer's demands will be in the form of counterproposals designed either to mitigate or to eliminate the most disagreeable (to the employer) of the union's demands. In other

¹⁰ Where an association is involved, a quite formal preparation of proposals and counterproposals will be necessary, in order to make certain of every member's approval.

¹¹ This type of clause will be discussed fully in Chapter 16.

words, during most bargaining sessions, the employer's representatives appear to be fighting a defensive battle. Periods of severe cyclical downturn in the economy would probably constitute exceptions, since during such periods the employer may tend to become the aggressor, with the union waging a defensive battle. Beginning in 1948, the General Electric Company, on the advice of Mr. Lemuel Boulware, who was then vice president of industrial relations, decided to try to reverse the defensive/offensive roles of management and union, respectively, with an approach which came to be known as "Boulwareism." The new approach involved two basic steps: (1) submission by the firm early in negotiations of a carefully researched firm offer as to wages and fringes with subsequent strategy being to veer as little as possible from this offer; and (2) informing the employees of the details of the offer and the reasons therefor before the union could contact them. While this strategy seemingly succeeded from 1948 to 1960, despite the unions' charges that it was bad-faith "take-it-or-leave-it" bargaining, in 1963 an NLRB trial examiner held "Boulwareism" to be unlawful bargaining. Final decision by the Supreme Court is still pending and important implications for managerial bargaining strategy may well stem from the final disposition of this case. As late as 1966, General Electric was using a modified version of Boulwareism, although it maintained that it continued to bargain "freely" after stating its offer to the union. An attempted repetition in 1969 precipitated a long and bitter strike late in the year.

Employers and Unions

Having considered negotiations from each party's viewpoint, it is now advisable to look at collective bargaining from the more general vantage point of both participants. Both parties have to decide just how "realistic" to make their proposals and counterproposals. In the earlier years of bargaining between two given groups, there is a tendency for each group to "ask for the moon," so to speak, on the assumption that they will end on a better level than if they start out by being modest in their demands. There may be some tendency to make demands more realistic as bargaining between two parties matures, but this eventually poses a problem. If the first position taken is the one the negotiator plans to defend vigorously, this leaves very little room for bargaining and may result in an impasse which can be broken only by a strike or lockout. Consequently, even after decades of bargaining, there is a noticeable tendency for each side to start out with demands which it has no intention of achieving.¹²

¹² Some observers have argued that the very low wage offers of the employer and the very high wage demands of the union are largely for ultimate face-saving purposes. Thus, the employer can argue that he succeeded in forcing the union down while the union leadership can boast that it pressured the employer to a higher wage settlement.

As intimated heretofore, both of the bargaining parties make use of voluminous "facts" during the course of negotiations. This may not necessarily mean that a given bargaining session is especially rational. There are various ways of "selecting" facts and even of presenting them so that a given negotiator always seems to be firmly substantiated by his "facts." A very real problem, which exists if collective bargaining is ever to become more objective, is that of deciding what facts are valid in a given situation and getting the two parties to agree on their validity.

Many of the negotiators' efforts will be directed along economic lines of approach. That is, the union negotiators will undoubtedly attempt to convince the employer's representatives that meeting the union's demands will be less costly than a possible strike. Likewise, the employer's representatives will attempt to convince the union that it will be less costly for the union and its members to settle on the employer's terms than to finance a long strike. Or the union may take a more positive approach by trying to hold out to the employer possible rewards which will be his if he makes concessions desired by the union. Thus, the union may offer to help the firm make its operations more efficient, or it may even offer to help stabilize the industry in question. Each side, on its own, will presumably weigh the costs of acceding to its opponent against the possible costs of holding the line relative to its own demands.

It should not be thought, however, that economic considerations alone determine the content of labor/management agreements. As noted in an earlier chapter, political considerations may often be as important or, on occasion, even more important in determination of a given bargaining party's position and eventual settlement. Considerations of how they will appear to their constituents alongside rival union leaders have often caused a union's negotiators to hold out on a given issue longer than sheer economic considerations might dictate. By the same token, the representatives of the employer may also be motivated by political considerations to stand firm on a given issue when purely economic reasoning might impel them to do otherwise.

Representatives of both parties have found in connection with long drawn out negotiations that occasional recesses are valuable as an antidote for frayed tempers and fatigue. After a brief respite, the parties can often find a way out of an impasse which seemed insurmountable prior to the interruption. Sometimes, negotiators who have bogged down relative to a given controversial issue have found that leaving this issue for a time and turning to others over which the controversy is less intense is a helpful maneuver. As a matter of fact, negotiators frequently take up some relatively minor issues in the early sessions in order to get the bargaining off to an amicable start and then concentrate on the crucial issues later in the negotiatory process.

Although the table-pounding approach still persists in some circles, mature skillful negotiators refrain from excess emotionalism. Such an

approach today is considered by many negotiators to be bad strategy and has been replaced by them with greater reliance on "facts," clever argumentation, and strategic maneuvers. Of course, it is considered highly essential by each party to learn as much as possible prior to actual negotiations about the rival negotiators and their strengths and weaknesses as bargainers. This strategy is much like that of rival athletic coaches who carefully scout each other's teams prior to a game.

Sometimes, after weeks or even months of seemingly unproductive bargaining, a settlement may be forthcoming in the last minute of an around-the-clock bargaining session. Often, the settlement just barely precedes the strike or lockout deadline which has been set. Reasons for the sudden settlement may include the fact that the strike or lockout, heretofore only a remote possibility, now is an immediate reality and thus its costs become very influential in causing either or both sides to alter their positions on given issues. Then, too, inventories which have been in the process of being depleted may be reaching the danger point, while public opinion may have crystallized so as to strengthen one or the other party's position. It may be, too, that either party has decided that it cannot get any more concessions from the other than it has already secured.¹³

Culmination of Bargaining

The culmination of collective bargaining in this country has come to take the form of a written, signed labor/management contract. Federal and/or state laws do not specifically require this but typically provide that a written agreement must be drawn up if *either* party so requests. The written contract is not nearly so common in England as in this country, in part owing to the fact that English contracts are less comprehensive¹⁴ and, perhaps, partly because of the greater maturity of labor/management relationships in many industries of that country. Recent developments in English labor relations, however, are apparently in the direction of longer, written agreements with the inclusion of some fringe benefits. Perhaps bargaining and strategy of the labor unions in the United States has become sort of a model for increasing numbers of English and European unions to emulate.

In the United States the written contract in the area of industrial relations did not appear with any frequency until the last decade of the 19th century. A few scattered written contracts were utilized during the

¹³ John T. Dunlop and James J. Healy, *Collective Bargaining* (rev. ed.; Homewood, Ill.: Richard D. Irwin, Inc., 1953), chap. iv.

¹⁴ For example, English contracts do not usually contain such items as fringe benefits, union security clauses, and management-rights clauses, so common to contracts in this nation.

1860's and 1870's in the coal-mining industry, but these were definitely the exception. While written contracts between labor and management became more frequent during the 1890's, they did not become universal until the 1930's, when the rapid growth of industrial unionism and the New Deal's legislative encouragement caused written labor agreements virtually to snowball in popularity. In the years since the late 1930's, the growing length of such contracts—especially because of the addition of multiple fringe benefits—has made the written document all the more imperative.

The writing of a labor/management agreement is quite an art in itself. The negotiators tend to concentrate on the "sense" of the agreement throughout their bargaining. At the end of the negotiations the actual document will be carefully drafted and checked by the legally trained representatives of each side. The day-to-day application of the contract, often more important than its actual negotiation, will usually depend upon the clarity and precision of its wording. On occasion, the effectiveness of the contract's application may depend on the attitudes of the parties toward the document; i.e., whether they try to live under it or try to defeat it. Once the parties' legal representatives have agreed on the final wording of the instrument, it is duly signed by the authorized individuals of each participant and serves as the basic law under which the two will function during the lifetime of the agreement.

SECONDARY INTERNAL ACTIVITIES

Auxiliary to the primary internal activity of collective bargaining is a large and varied number of secondary internal activities, tactics, and devices employed by labor unions and employers (or associations). It is often maintained that the results of collective bargaining in a given situation will depend upon the bargaining *skill* of the two parties' negotiators and, even more importantly, upon bargaining *strength* which can be marshaled by each party. The secondary activities, tactics, and devices which are utilized by the parties from time to time are mainly designed to augment their relative bargaining *strength*. It is highly probable that on given occasions the secondary activities, tactics, and devices which are discussed in succeeding pages have been instrumental in bringing about a settlement between the two opposing groups, as well as in determining the nature of its provisions.

Secondary Activities of Labor Unions

In all probability, labor unions have tended to utilize more secondary activities to strengthen their hand in collective bargaining than have employers or their associations. This is true in part because, as noted

before, the union is typically the aggressor, the party which wants something new in the labor agreement or some modification thereof. In addition, from the beginning of labor unionism the individual members have possessed less staying or waiting power than the more financially able employer, thus making it imperative that they bring immediate and massive economic pressure to bear upon the employer in order to precipitate a settlement before the union members are forced by economic necessity to go back to work. Finally, the union has utilized more secondary activities to bolster its collective bargaining than has the employer because most of the employer's secondary tactics have been utilized to "keep the union out" or to "break the union" rather than merely to augment his bargaining strength. The more important of the union's secondary activities will now be analyzed, followed by a similar discussion of the employer's secondary activities.

The Strike. The strike is undoubtedly the most spectacular and effective secondary device which the labor union has ever devised. Basically, the strike may be defined as a concerted withholding of labor services (labor supply) in order to exert economic pressure on the employer which, it is hoped, will cause him to accede to the union's demands. While a strike could conceivably be carried on by an unorganized group of workers, such an occurrence is a very rare exception. Thus, the strike is universally thought of as a device peculiar to organized labor. The *right* to strike is and always has been considered a basic or fundamental right by the labor unions in democratic free-enterprise nations, with the loss of this so-called "right" pictured by unions as being tantamount to enforced or "slave" labor. There is, indeed, some merit in this position, since if the union has no alternative in regard to a negative answer from the employer in response to each of its demands than to send its members peacefully back to work, the labor in question has many of the qualities of enforced labor, and none of its demands need ever be seriously considered by the employer.

However, just because the typical union considers the right to strike a fundamental one does not place it in the category of inalienable rights. Every democratic free-enterprise nation has regulated the right to strike in numerous ways and has actually outlawed certain types of strike action. The totalitarian nations of the past and present have, without exception, prohibited the right to strike, although even in such nations the prohibition has not always been easy to enforce.¹⁵ The conclusion which emerges from a study of the history of strike action on the part of

¹⁵ As a totalitarian nation matures, it may loudly proclaim that its unions have the right to strike. The catch is that by this time the labor movement has come under the control of the state and its dominant leaders have been so carefully hand-picked by the party that the strike risk is not very great. No employer, state or private, takes much of a strike risk if the union is the puppet of the employing unit.

various labor movements is that, perhaps short of totalitarianism, the right to strike cannot be effectively denied. It may even be undesirable to *try* to deny this right, since the costs involved in the process might well exceed the costs of permitting the exercise of the right to strike subject to some societal regulation thereof. For example, in recent years in this nation such public employees as school teachers and nurses have typically been prohibited from striking by law and yet they have struck in defiance of the law increasingly or have used some subterfuge such as the mass resignation technique to accomplish the same ends. As of 1968, 35 states prohibited strikes for public employees by law or court decision.

The ingenuity of organized labor groups is perhaps no better displayed than in the numerous types of strike action which have been devised over the time which has passed since labor organization first emerged. Thus, there is the *ordinary* strike, which involves a walking off the job by a group of workers having a dispute with their employer. The *sympathetic* strike consists of a strike by a union which does not have a dispute with its employer but which is striking out of sympathy for another union currently having a dispute with an employer and in need of aid to make it more effective. Sympathetic strikes, being secondary activity by nature, are likely to come into conflict with the Taft-Hartley Act as amended by the Landrum-Griffin Act, since its provisions against secondary boycotts were thereby strengthened considerably. The *sit-down* strike, sometimes said to be an American innovation, is a cessation of work wherein the employees do not walk off the job but literally sit down on the job, thus taking possession of the plant. Two advantages lie in this form of strike for the workers: Unpleasant picket line duty is obviated, and the employer cannot replace strikers with strikebreakers. On the other hand, it necessitates virtually every employee's remaining in the plant for an indefinite period of time. Used successfully and dramatically by the CIO in organizing General Motors and Chrysler in 1936-37, this form of strike was ruled by the Supreme Court in 1938 as an illegal form of concerted activity, in that it involved the taking of property without due process of law.¹⁶

A close relative of the sit-down strike technique is the *organized slowdown*, in which the work force neither walks off the job nor sits down on the job but merely slows its work speed. The casual observer may not even be aware that a slowdown is in process, but the employer is most acutely aware of it when the day's production records are examined. This type of strike action is also illegal concerted activity under federal law and National Labor Relations Board decisions. It has sometimes been referred to by the Scotch labor-slang expression, *Ca' canny*, which reputedly had its origin in describing the slow, ambling

¹⁶ See 59 S. Ct. 490.

walk of a member of the bovine family. Somewhat similar to the sit-down and slowdown devices is the so-called *quickie* strike, which involves a sudden strike on the job first, followed by the announcement and bargaining over the issues giving rise to it later. Such strike action is closely related to the "hit and run" and "wildcat" types of strike action. In longshoring, for example, thousands of quickie strikes, usually led by a local union officer, have been used to protest a small-scale grievance of some type. Although technically illegal since the contract provisions forbid them, they have been tolerated often by top union leaders until fairly recently.

Still another form of strike activity to arise in many industrial nations has been the *hit-and-run* strike, as it is called here, or the *sectional* strike, as it is termed in Australia. In this form of strike the union will call out only a small, but crucial, percentage of its members for a short time, followed by subsequent short work stoppages by other crucial groups. The result is to allow most workers to draw wages and thus to minimize strike benefits payable by the union while still exerting economic pressure on the employer. This type of strike action has also been held as unprotected concerted activity by the National Labor Relations Board, since it constitutes neither work nor strike.¹⁷ The *jurisdictional* strike, made illegal by the Taft-Hartley Act of 1947 and by many state laws, consists of a strike arising out of an interunion dispute concerning the issue of which union is to have jurisdiction over a given group of workers.

A *wildcat* or *outlaw* strike is said to occur when a strike flares spontaneously without knowledge or sponsorship of the union in question. It may be the result of frayed tempers or a clash of personalities on the job; and usually, the union will work with management to bring it to a close. On occasion, unions have utilized a *token* strike, which is a short, ordinary type of strike designed to convince the employer that the union members are in earnest and that he had better make concessions to them or face a longer strike in the future. This device was popularized by the Industrial Workers of the World during the first two decades of this century.

As noted earlier in this chapter, when employees find the strike prohibited by law, their ingenuity has caused them to create substitutes for the strike which accomplish the same purpose. Thus, the technique of *mass resignation* may be utilized wherein all or nearly all employees resign simultaneously. Obviously, this device would be a dangerous one if much unemployment existed, since the resigned workers might find

¹⁷ *In re Pacific Telephone and Telegraph Co.*, 107 NLRB 301 (1954). See Chester A. Morgan, *Trends in NLRB Decisions during 1953-54*, Research Series, No. 10 (Iowa City: Bureau of Labor and Management, State University of Iowa, 1955), pp. 21-22.

their jobs given to unemployed workers. Another type of subterfuge to circumvent a law banning strikes is for all workers or nearly all workers to report in as "sick" on the same day. Nurses as well as blue-collar workers have resorted to this strategy more than once, including police and firemen.

Finally, there is the most comprehensive type of strike, which is known as the *general* strike. Such a strike involves a simultaneous cessation of work by all or nearly all unions in a city, region, or nation. This device has been especially advocated by revolutionary unions, which have seen the general strike as the proximate medium for the overthrow of capitalism. Consequently, business unionism, being more conservative, has shunned the general strike, with a few exceptions. One of these exceptions and perhaps one of the most famous of the industrial world's general strikes, was the English general strike of 1926, which arose from action by dominant English unions in sympathy with striking coal miners. The strike differed from bonafide general strikes in that it had no revolutionary political goals and was actually brought to a close nine days after its inception, mainly due to actions of top labor union leadership. Most general strikes have been unsuccessful as to concrete attainments, and this one was no exception. As a matter of fact, it resulted in the passage of the most repressive labor relations law in modern English history, a law which was not repealed until the Labour Government succeeded in repealing it after World War II. In the United States, there have been no national general strikes, although there have been a few city-wide general strikes.¹⁸

To be effective, a strike must stop production. If it fails to do this, the union faces the alternatives of (1) violence and coercion to make the strike effective or (2) defeat in the form of a broken strike. Hence, it is not surprising that violence and coercion are often coupled with strike action, since the typical employer will try to make a strike ineffective, while the typical union is just as determined to make the strike effective. The only conditions under which a "peaceful" strike could occur would be a situation in which the employer does not try to operate once a strike is called or a situation in which a union stands meekly by and watches strikebreakers or "scabs" (in union slang) cross its picket lines. It is probable, however, that as unionism and collective bargaining mature and become more widely accepted in a region or nation, strike action tends to become somewhat less violent. In part, this is due to bitter experiences of both sides in the past with violence; and in part, of course, it is attributable to the enactment of legislation prohibiting or discouraging violence by either side. There is some evidence, too, that the strike is

¹⁸ Seattle, Washington, 1919; San Francisco, California, 1934; and Oakland, California, 1946.

less frequently used as unionism and collective bargaining mature.¹⁹ Increased use of automation tends to make the strike a less effective device. This is true because fewer workers are needed to keep the plant operating when it is highly automated and, hence, the employer finds it necessary to induce only relatively few workers to cross picket lines. Industries where this phenomenon has already been in evidence include the telephone, petroleum, and chemical industries. As a result, some writers have wondered if the strike may not become an obsolete device—at least in so far as highly automated industries are concerned. Some doubts may have been created in this regard when it was observed in 1967 that despite a very high degree of automation in the telephone industry the Communications Workers maintained a very successful and lengthy strike with the ultimate result being a favorable settlement. A similar strike in the city of Chicago in 1968 prior to the convening of the Democratic national convention also proved that the strike has not completely lost its effectiveness even in highly automated industries. For one thing, of course, an industry such as the telephone industry is highly dependent upon maintenance and installation service and this aspect of the industry is difficult to automate.

Periodically in recent years, students of labor relations have toyed with the possibility of initiating the so-called “peaceful” strike, i.e., one which results in no loss of production or damage to property but only in the loss of wages and profits to the disputing parties. A recent experiment with the “peaceful” strike was launched in 1964 by the Dunbar Furniture Corporation of Berne, Indiana, and the Upholsterers’ International Union. Details involve a continuation of production while a “strike” is in progress with increasing amounts of wages and matching amounts of funds from the firm placed in trust over a three-months period. As the dispute drags on, workers and the firm encounter the prospect of a gradually decreasing percentage of recovery of wages and funds of the firm. At the end of 12 weeks, assuming a lack of settlement, the firm and the employees must surrender the total fund to some community or charitable project outside their control or recovery. Time alone will determine the success of this unique venture. Possibly it is too theoretical to appeal to the typical disputing parties in a labor relations disagreement.

¹⁹ Strike activity in most other countries with free labor movements has declined markedly since 1900. There has also been a tendency for average duration of strikes to decline. Reasons probably include acceptance of collective bargaining by the employer, the coming of professional leadership to both the firm and the union, the growing proportion of female employees, the greater use of compulsory arbitration or state mediation, and the greater tendency for government to be an employer. Similar trends have not appeared as yet in the United States. See Arthur M. Ross, “Changing Patterns of Industrial Conflict,” *Monthly Labor Review*, March, 1960, pp. 229–37.

Unions differ in the manner in which a strike may be called. Some unions give this right to their top leadership if, in its judgment, a strike is warranted. Many unions utilize a strike vote, in which a two-thirds majority vote may often be required before a strike can be called. In some few states a strike vote is required by law; but there is as yet no such provision in federal law, although the issue has received attention in Congress at different times. In most situations, where the union leadership urges the membership to vote a strike, the vote is forthcoming and usually by an impressive majority. National unions typically insist that a local union must have the approval of the parent body before a strike can be called officially. If the local union fails to abide by this regulation, it probably forfeits any strike benefits which the national union might otherwise have paid. Persistence in flaunting national union strike regulations would mean the expulsion of the local union by the parental unit.

The question of which party *causes* strikes has often been answered erroneously by the uninitiated. It is true, of course, that the union *calls* a strike and is thus apparently the initiator of the action. It should be noted, however, that the employer may have provoked the union to take such action. Hence, the employer, on occasion, may provoke a strike—either to “teach the union a lesson” or possibly to attempt to “break the union.” On other occasions the employer may provoke a strike as an inexpensive means of depleting an overburdensome inventory, since guaranteed annual wage benefits and unemployment compensation typically must be forfeited by striking employees. It is still probably true, however, that most strikes can be said to have been “caused” by the desire on the part of unions to apply economic pressure on the employer in order to wring concessions from him.

Predominant issues which figure in strikes are of passing interest. Since 1945 the Bureau of Labor Statistics has classified strike issues under the following five headings: (1) wages and hours; (2) union organization, wages, and hours; (3) union organization; (4) other working conditions; and (5) inter- or intraunion matters. If the above classifications are applied to strikes during the decade of the 1930's, *union organization* would be found to have been the predominant strike issue as unions were growing in number and in membership and, under new federal laws, were pressing for recognition, while employers and their associations were attempting to withhold recognition. By contrast, during most of the period since the end of World War II, *wages and hours* have been the predominant issues in most strikes. This is not surprising in view of two facts: (1) The big battles for union recognition were won by 1945, and (2) inflationary conditions in general have made rising money wages a “must” in the eyes of most union members and leaders. In the period 1955–57, about 48 percent of all strikes were over the wages

and hours issue; union organization, wages, and hours accounted for 7.9 percent; union organization was the basis for about 12 percent; other working conditions figured in 22.5 percent; and inter- or intraunion matters gave rise to about 9 percent of all strikes.²⁰ In the period 1964–65, almost half the strikes were over wages and related issues. Since 1962, however, an increasing number of strikes have been attributable to issues such as work rules and job security which would fall under the classification of “other working conditions.”

A final consideration with respect to strikes as a secondary internal device of labor unions concerns the *costs* associated with such work stoppages. In this connection, it is at once recognized that strike action may mean costs for three different, but overlapping, entities: the “struck” employer, the striking employees, and the general public. It may be pointed out that in addition to the employer and employees directly affected by a strike, there may be many employers and employees indirectly affected due to inability to acquire materials or services from the “struck” firms.²¹

With respect to costs of strikes borne by the employees who are striking, the most obvious and oft-discussed cost is that of wages lost during the altercation, an item often used by the press as one of the main criteria for assessing the cost of a strike. There is no doubt that a long strike will involve many dollars of lost wages. However, what is often overlooked is the fact that some of this loss is recoverable in various ways. For example, some may be “recovered” even before a strike occurs as the employer, in anticipation of a strike, produces in large volume for inventory and, in doing so, may pay more dollars in wages—including overtime at premium rates—than would normally have been paid during this period. In other words, some of the wages which would have normally been received by workers during the strike months are received in advance. Also, when a long strike finally comes to a close, the firm, in order to satisfy the backlog of orders which has accumulated during the strike, may produce feverishly for a time, in which total wages will be somewhat larger than normal and may include considerable pay at overtime rates. In a highly seasonal industry such as the coal-mining industry, where workers may typically get only 200 days or so of work per year, a strike of several weeks may merely mean an alteration of the timing of work and slack periods. Thus, wages may not really be lost in

²⁰ Bureau of the Census, U.S. Department of Commerce, *Statistical Abstract of the United States* (80th ed.; Washington, D.C.: U.S. Government Printing Office, 1958), p. 237.

²¹ For example, the long steel strike of 1959–60 caused an increase in unemployment compensation claims in all but three states (Bureau of Employment Security, U.S. Department of Labor, *The Labor Market and Employment Security* [Washington, D.C.: U.S. Government Printing Office, February, 1960], pp. 13 ff.).

such a strike; rather, their timing may only have been changed. If a strike involves violence, the striking employees, especially those trying to enforce the strike, may sustain nonwage losses in the way of personal injury or even loss of life. During the strike, of course, many workers indirectly idled by the strike may recover some lost wages via unemployment compensation, guaranteed annual wage benefits, and part- or full-time temporary employment. Strike benefits, while usually small, represent still another basis for some wage recovery on the part of striking workers. Hence, the wages apparently lost during a strike cannot be taken as the final word on the cost of the strike to the employees. It should be pointed out, of course, that the economic cost to the striking employees may continue beyond the strike. If the firm has lost customers heavily during the strike, and if many or most of them do not return to the firm after the strike is over, the employees as well as the firm may experience serious costs after the strike is seemingly concluded.

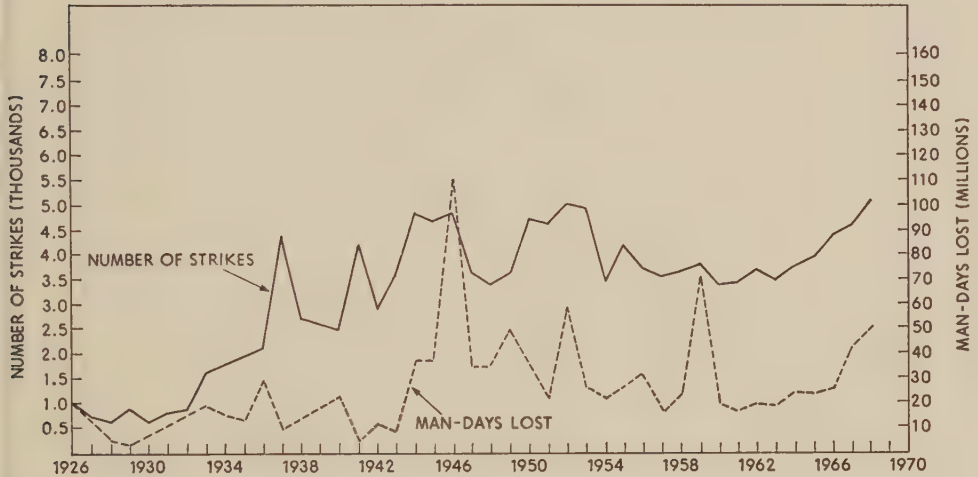
It is quite apparent that in any lengthy strike, even after all wage recoveries are taken into account, the striking employees still stand to lose considerably, on average, in so far as income is concerned. And the loss of income, of course, may be translated into possible losses of homes, automobiles, and appliances, assuming that time payments cannot be met and that creditors do not grant moratoria to their debtors. It is often noted that the losses to the workers are so great as to require years of work at the higher post-strike wage rate if they are ever to be recovered. Such an observation is typically followed by the comment that it is hard to understand why employees should be so stupid. Actually, on purely economic grounds, many strikes could not be justified by the participants. Thus, such strikes must be analyzed in terms of the political, psychological, or sociological factors which may be involved. If a group of striking workers thinks or is convinced by the union that an important principle is involved, they may be willing to strike almost endlessly in order to win their point. The type of argument noted above often overlooks the fact that the employer could also end the strike by conceding, perhaps, only a cent or so per man-hour. He, too, may fail to recover the cost of his holding-out within the foreseeable future. Again, it should be recognized that the employer, like the workers and their union, may feel he is fighting for what he believes to be an important principle, and so he may somewhat disregard the costs of holding out. The mistake which is often made by the economist is in trying to explain strike action and other labor relations phenomena simply via economic analysis. He might as well try to explain why a nation will undergo all the monetary and human costs involved in a major war effort. Purely economic considerations go by the board in such instances as the people of a nation think, at least, that they are fighting for certain principles or for the very life of the national entity.

The costs of strike action to the employer may be impressive. Thus, he faces the loss of profits during the conduct of the strike, a loss which may be reflected in sizable gains by his closest competitors. More vital to the employer may be the loss of customers during a strike, some of which may constitute a permanent loss, as many former customers may not return. In recent years of tight labor markets it has been noted on more than one occasion that another type of strike loss for the firm—where the strike is of some duration—may be the movement of some of its best skilled and technical employees to other firms. Since such employees are in short supply, it may be almost impossible for the firm to fill their vacancies at the end of the strike. Thus, the crippling effects of a strike may be perpetuated beyond the formal end of the work stoppage. If the strike involves any violence, the employer's property may be damaged, and some of his representatives may be injured. There is the possibility that the employer's prestige in the community and/or the industry may suffer somewhat, especially if his position does not appear too tenable to most individuals and groups in the community or nation. Finally, if the strike is successful, the employer may experience an ultimate cost in the form of higher wage rates than those which prevailed prior to the strike.

As in the case of the employees, so the employer may find some of his strike costs either preventable or recoverable. Thus, in the case of lost profits, the employer may soften this blow somewhat, and often does so, by producing for inventory if he anticipates that a strike may occur. Hence, while this production may be more costly due to possible overtime pay than the same volume of output under normal conditions, in a sense he has merely changed the timing of his production. If he is able to make deliveries from his built-up inventory during the strike, his loss in profits may be minimized unless the strike drags on and on beyond the time when his inventory has been exhausted. With respect to possible loss of prestige, the employer may guard against this by being fairly sure of his position and by giving it wide publicity. Such precautions may even result in a gain in prestige by him during the strike if a majority of individuals and groups in the community and/or industry feel his position is sound. Finally, some losses may be recovered after the strike by passing increased wage costs on to the consumer, assuming this is possible, all things considered.

After the employer has done whatever he can to minimize his losses occasioned by a strike, the result of a long strike must still mean heavy costs to the firm. The possibility of costs flowing from a strike to the parties involved is, of course, the very characteristic which makes the strike an important device in collective bargaining. With its use always a possibility, each side knows there is a cost related to *disagreeing* with the other side, as well as a cost related to an *acceptance* of the other side's terms. To the extent that economic factors figure in the outcome of

Figure 15-1 Number of strikes and man-days lost due to strikes, 1926-68

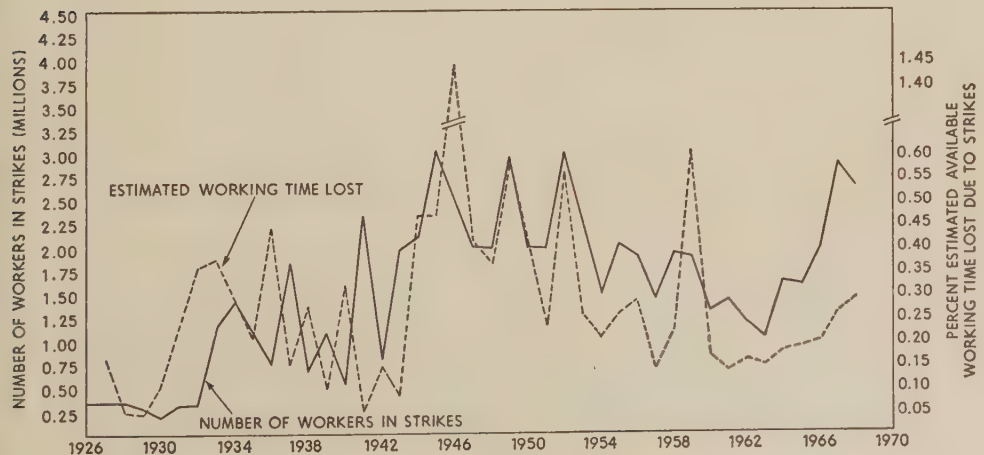


Source of data: Bureau of Labor Statistics, U.S. Department of Labor.

negotiations, the weighing of these costs against each other helps to determine the ultimate bargaining limits of the two parties.

In addition to the costs of strike action to employees and employers, there are possible costs which may accrue to the economy in general. Such costs can be summarized essentially as losses in gross national product and in man-days of labor, both of which may be reflected, in a given situation, in inconvenience or even acute hardship for the consumer, as he may be forced to go without certain goods or services. It is

Figure 15-2 Strike trends in the United States, 1926-68



difficult, if not impossible, to ascertain the precise amount of decline in gross national product resulting from a given strike or from strikes in general. Hence, statistics are not published by recognized agencies on this "real" cost of strikes to the economy. With respect to man-days lost due to strikes, however, statistics have been compiled for many years (see Table 15-1). Thus, for the period 1926-68, inclusive, the average number of man-days lost due to strikes per year was about 24.9 million. During the more recent period from 1950 to 1968, inclusive, the annual average has been about 32.3 million man-days lost due to strikes. The larger absolute average in the latter period is due to factors noted heretofore, such as the growth of unions, the increase in the nonagricultural labor force, and the increase in the level of industrial activity. Obviously, the record-breaking year for man-days lost due to strikes was 1946, when 116 million man-days were thus sacrificed. This was the immediate postwar year in which reconversion to peacetime industry resulted in widespread layoffs, while the decline in overtime work plus the relaxation of price controls caused a sizable drop in workers' real incomes. Other immediate postwar years in the history of the nation have witnessed a similar rise in strike activity.

A more meaningful measure of the loss of working time occasioned by strikes is that noted in Table 15-1 as "Percentage of Estimated Available Working Time Lost" due to strikes. It is of interest to note that with the exception of the big strike year, 1946, when 1.43 percent of estimated available working time was lost due to strikes, and 1959, when the percentage was 0.61, the other 38 years have all seen less than 0.6 percent of estimated available working time lost in this manner. Also, omitting the immediate post-World War II years, when somewhat higher percentages were registered, there does not seem to be in evidence a long-run tendency for this measure of strike costs for the total economy to rise appreciably.

The various costs of strikes as a secondary internal device of unionism have received much attention. The view has sometimes been advanced that as industry-wide or nationwide bargaining becomes more common, the potential costs of strikes, at least in the basic industries, may loom so large as to necessitate their prohibition via compulsory arbitration. While the cost of strikes to the economy could conceivably become so great at some point in the future that further restrictions may be in order, it should be kept in mind that, as noted previously, it may be virtually impossible to prohibit strikes in any but a totalitarian economy; and even if they could be prohibited, the cost of the prohibition might well exceed the costs of strikes in the first place. Even assuming that a prohibition on strikes could be enforced, compelling workers to report for work will not necessarily assure high productivity on the job. If the morale of employees should be affected negatively to a high degree by the prohibition of

Table 15-1 United States strike record, 1926-68

Year	Number of Strikes	Number of Workers Involved (millions)	Number of Man-Days Lost (millions)	Percentage of Estimated Available Working Time Lost
1926.....	1,035	0.33	26.0	0.37
1927.....	707	0.33	12.6	0.17
1928.....	604	0.32	5.4	0.07
1929.....	921	0.29	3.3	0.05
1930.....	637	0.18	6.9	0.11
1931.....	810	0.34	10.5	0.23
1932.....	841	0.32	16.9	0.36
1933.....	1,695	1.17	19.6	0.38
1934.....	1,856	1.47	15.5	0.29
1935.....	2,014	1.12	13.9	0.21
1936.....	2,172	0.79	28.4	0.43
1937.....	4,470	1.86	9.2	0.15
1938.....	2,772	0.69	17.8	0.28
1939.....	2,613	1.17	6.7	0.10
1940.....	2,508	0.58	23.0	0.32
1941.....	4,288	2.36	4.2	0.05
1942.....	2,968	0.84	13.5	0.15
1943.....	3,752	1.98	8.7	0.09
1944.....	4,956	2.12	38.0	0.47
1945.....	4,750	3.50	38.0	0.47
1946.....	4,985	4.60	116.0	1.43
1947.....	3,693	2.20	34.6	0.41
1948.....	3,419	1.90	34.1	0.37
1949.....	3,606	3.00	50.5	0.59
1950.....	4,843	2.40	38.8	0.44
1951.....	4,737	2.20	22.9	0.23
1952.....	5,117	3.50	59.1	0.57
1953.....	5,091	2.40	28.3	0.26
1954.....	3,468	1.50	22.6	0.21
1955.....	4,320	2.70	28.2	0.26
1956.....	3,825	1.90	33.1	0.29
1957.....	3,673	1.40	16.5	0.14
1958.....	3,694	2.10	23.9	0.22
1959*.....	3,708	1.88	69.0	0.61
1960.....	3,333	1.32	19.1	0.17
1961.....	3,367	1.45	16.3	0.14
1962.....	3,614	1.23	18.6	0.16
1963.....	3,455	1.03	17.8	0.15
1964.....	3,655	1.64	22.9	0.18
1965.....	3,963	1.55	23.3	0.18
1966.....	4,405	1.96	25.4	0.19
1967.....	4,595	2.87	42.1	0.25
1968.....	5,045	2.65	49.0	0.28

* Longest steel strike of record during last quarter.

Source of data: Bureau of Labor Statistics, U.S. Department of Labor.

strikes, the nation's gross national product might actually suffer more than it did when the right to strike was being basically protected.

Although concern which is expressed over the cost of strikes often gives the impression that this cost is mounting with the passage of time, there does not appear to be a long-run tendency for strike action to increase *relative* to the size of the nonagricultural labor force or to the level of industrial activity. As may be seen in Figures 15-1, 2, the number of strikes, the number of workers involved in strikes, and the number of man-days lost due to strikes all have risen in absolute terms since the 1920's. When the increases in the size of the nonagricultural labor force and the level of industrial activity are taken into account, however, strike action appears to be no more prevalent today than in the post-World War I period. It should be noted, too, that in the intervening period, the number of labor unions and of union members has undergone marked increases.

One measure of the intensity of strike activity in this country actually shows some decline therein. Thus, during the first 30 years of this century, about 33 percent of all union members went on strike each year, in contrast to only approximately 10 percent between 1954 and 1956. Even the period immediately following World War II, 1945-47, saw only 26 percent of union members on strike annually.²² From 1960 to 1968, only about 9.8 percent of the nation's union membership participated in strike action annually, on average.

While the costs of strikes may not be growing relatively, this does not mean that efforts to minimize such costs should cease. It would appear that the most logical approach in the free enterprise economy to the problem of strike costs would be a scientific study by each firm of the basic *causes* of its strikes over time with a view to mitigating or eliminating the causes and hence minimizing the problem. This approach would appear to offer more chance for success than the attempt to banish the problem by governmental decree or legislative enactment. Governmental intervention in the most serious strikes, when such strikes threaten to upset the national equilibrium, could still serve as a last resort for keeping the right to strike from being overused. In the long run, it is probable that the maturation of labor relations will of itself gradually result in a lessening of strike frequency and costs in the United States.²³

²² Ross, *op. cit.*

²³ An interesting development in this connection is the experiment launched in 1961 by the Kaiser Steel Company and the United Steelworkers as a result of the lengthy steel strike of 1959-60. In this experiment the "public" is represented in negotiations by a panel of experienced labor mediators, who are not connected with steel or the government, but who are expected to have the public interest at heart. Throughout the year the public representatives are available for consultation with union and management officials on labor problems of the steel plant and firm. Negotiations commence 60 days before the contract's termination date; after 30 days of

Finally, it should be noted that the cost of strikes in lost working time is still modest when compared with the similar cost of unemployment. During the period, 1960–63, the percentage of estimated available working time lost due to strikes averaged about 0.16 percent per year. During the same period, labor force time lost via unemployment and part-time employment amounted to about 7.0 percent per year, on average. Thus, while the problem of strike activity is deserving of critical attention, that of unemployment is deserving of much more attention. In recent years when strikes have often assumed industrywide proportions, many intelligent observers have expressed the hope that some less costly means for resolving issues might be found.²⁴ Despite all that has been written and spoken on this matter, however, the nation has apparently not discovered this alternative. As a matter of fact, some new groups such as teachers and nurses have been utilizing the strike or some close substitute for it with increasing frequency and this despite legal provisions to the contrary. Thus, the strike would appear to loom still as a much-prized secondary device on the part of aggrieved workers and their organizations.

The Boycott. Another auxiliary internal device of the labor union is the boycott. While strike action is aimed at stopping *production* by the employer, the boycott is directed at blocking the *distribution* of the employer's end products. The boycott, which became an especially popular and potent device for labor unions during the last quarter of the 19th century, is usually referred to as including two types of action. Thus, the *primary* boycott involves organized refusal on the part of employees to patronize an employer with whom they have a dispute. Primary boycott action has for several decades generally been upheld as legal union action in this nation as well as in most other free enterprise nations. At present the primary boycott is sanctioned under all state and federal labor relations laws of this country. Perhaps one reason for the lack of legal restraints in connection with the primary boycott is that it is often not too effective as a pressure device. For example, most employers could probably continue to operate at a profit even though their employees ceased patronizing them, since their employees would represent such a small share of their total market. Unions promoting a primary boycott often try to remedy this weakness by trying to induce neutral individuals

negotiation, the public representatives meet with the negotiators of both sides to review the status of negotiation. Similar attempts by firms or whole industries to eliminate strike action are observable in the economy—as, for example, in the New York transit industry and within the construction industry. It is much too early to determine whether these experiments will succeed or how far they will spread. See “A Voice for the Public in Heading Off Strikes,” *U.S. News & World Report*, January 23, 1961, pp. 108–9.

²⁴ George W. Taylor, “Invent A Better Means of Resolving Issues,” *U.S. News & World Report*, August 26, 1968, pp. 59–61.

and groups not to patronize the employer via "do not patronize" signs. In addition, the primary boycott is especially ineffective if the employer is a manufacturer who sells to dealers rather than to the buying public. If the boycott is extended to the dealers' establishments, it is no longer primary in nature.

The other type of boycott action usually recognized is termed the *secondary* boycott, a device which is much more effective than the primary boycott. Because of this fact, perhaps, and also because innocent third parties often are injured by a secondary boycott, this device has generally been in the illegal category in this and many other free enterprise nations. In the United States the secondary boycott has been illegal during most years since the application of the Sherman Antitrust Act to labor unions in 1908 in the famous Danbury Hatters case.²⁵ As a matter of fact, the secondary boycott was considered to be a legal instrument of labor unions under certain conditions only from 1941 until 1947. In 1941, in connection with the *Hutcheson* case, the union's secondary boycott action was held by the Supreme Court as being protected by the Norris-La Guardia Act's restrictions upon injunctions in labor disputes.²⁶ In 1947, on the other hand, the Taft-Hartley Act specifically outlawed the secondary boycott, thus taking the device back to its status under the Sherman Act, as determined in the Danbury Hatters case. Several states have also legislated against the secondary boycott. Because the Taft-Hartley Act did not serve to make all forms of the secondary boycott illegal, the Landrum-Griffin Act of 1959 strengthened the ban on the secondary boycott by extending it to variations not covered by the Taft-Hartley Act.

A secondary boycott does not involve a refusal to patronize an employer with whom the workers in question have a dispute. Rather, it takes the form of a refusal by employees to patronize or, perhaps, to work for an employer with whom they have no dispute. Thus, for example, if employees of a manufacturer who have a dispute with him carry their action against him to the point of boycotting dealers who handle his product and with whom the workers have no real labor dispute, this would constitute one form of an illegal secondary boycott involving an innocent third party caught between two warring groups. Another form of secondary boycott is associated with the term *hot cargo*. This refers to the refusal of a group of workers to handle or work on materials which have been shipped from a "struck" plant. Finally, the secondary boycott may consist of a refusal by workers to work on materials which have been previously processed or semiprocessed by nonunion labor.

²⁵ *Loewe v. Lamlor* (1908), 208 U.S. 274.

²⁶ *U.S. v. Hutcheson* (1941), 61 S. Ct. 463.

The above examples of the secondary boycott all involve the bringing of a so-called "innocent third party" into the midst of a labor dispute; and partly because of this, it has been much more powerful as a union device than the primary boycott. Hence, it is not surprising to find organized labor highly dissatisfied with the legal bans against this tactic. Unions are especially bitter when a secondary boycott is forbidden in instances where a struck employer is farming out his work to fellow employers in order to mitigate the effects of the strike. This appears to the union to place governmental agencies in the role of strikebreakers since, while it is lawful for an employer to enlist aid from fellow employers, the union is denied by law the right to seek aid from other unions via the secondary boycott.

Picketing. The third auxiliary internal device of the labor union to be considered is that of picketing. This device consists of patrolling a given area, usually the area near the entrance to a plant or place of business, with varied numbers of individuals, depending upon the size of the plant and the objective of the picketing. Usually, the pickets are equipped with placards or banners which announce the union's reason for the strike it is conducting.

Picketing may be used either to augment and enforce a strike or to strengthen boycott action. Hence, picketing is not a principal device in and of itself, but rather a device to reenforce another auxiliary union tactic. A strike cannot be effective unless it really stops production; picketing may be designed to see that this occurs. In this connection, it should be noted that picketing is not so important in conjunction with a strong, disciplined union, since its members will not cross picket lines. It may be vital, however, in the case of a weak and/or poorly disciplined union. A boycott cannot be effective unless participated in by many persons; again, picketing is often the medium used for increasing the number of boycotters. Because picketing is often aimed at making a strike effective—i.e., to keep an employer from operating his firm with workers willing to replace strikers—it frequently results in violent action. Hence, picketing is often associated in the layman's thinking with excessive violence. On the other hand, in many cases, picketing may be only informational in nature and, as such, is hardly ever violent.

Picketing was generally considered an illegal type of union activity in American courts until the early 1930's, when the Norris-La Guardia Act of 1932 afforded some protection to peaceful, non-violent picketing. Because of the violence often accompanying picketing, however, many states have outlawed violent picketing since 1940. Some states seek to prevent mass picketing also by regulating the number of pickets who may be used in an area of given size and/or by stipulating the number of feet or yards which must exist between individual pickets. Still another form of picketing which is prohibited by some state laws is that known as

"stranger" picketing, in which persons not employed by the employer with whom a dispute is in progress are brought from the outside to picket the establishment. This device has been often used where the union's membership is not large in a given firm or where violence is feared and the local members of the union are reluctant to serve as pickets.

Federal legislation also deals to a certain extent with picketing. The Taft-Hartley Act of 1947 does not illegalize or even mention picketing per se; but it becomes illegal under this law whenever it is used in connection with some illegal act by the union, such as an illegal strike, the coercion of employees, or a secondary boycott. Under a more recent law, the Landrum-Griffin Act of 1959, extortionate picketing, a device sometimes used by a corrupt union to elicit money from an employer, is prohibited. Thus, under federal law, both the ends and the means connected with picketing must be legal if the picketing itself is to be considered legal. The Supreme Court in 1964 provided a little more leeway in picketing by holding that picketing of a retailer, called "consumer picketing," is lawful so long as it is not aimed at cutting off all trade with the retail store.

Miscellaneous Activities. Other secondary activities, tactics, and devices employed by labor unions in an effort to enhance bargaining strength include fair or unfair lists, propaganda, sabotage, and the strike vote taken during collective negotiations.

In years past, labor unions often utilized the *unfair* list, which contained names of employers alleged to be unfair toward organized labor. Circulated among union members, these lists would in most cases cause loyal union members to withhold their patronage from such firms. As state and federal legislation and court decisions tended to make unfair lists illegal, unions frequently turned to the use of the *fair* list, a list containing the names of employers held to be fair toward organized labor. When such lists are circulated among union members, their patronage goes to such firms, whereas firms whose names are conspicuous by their absence from the list are shunned.

Propaganda in the union press of the nation has always been a favorite device of the union for convincing employees that their position in regard to a given dispute is thoroughly justified while that of the employer is pictured as totally erroneous. In addition to union press releases, of course, the typical union will often utilize other internal media such as speeches in union meetings, circulars and handbills distributed to homes of workers, and statements broadcast over radio and television directed especially to workers.

Some unions, and especially the more revolutionary types, have resorted to *sabotage* on occasion and have sought through the destruction of plant or equipment to force an employer to capitulate. Such activity is illegal under state and federal legislation alike, and is usually avoided by

most labor unions as a deliberate and calculated type of activity. Property damaged inadvertently when tempers are high during a strike would not usually be classed as deliberate sabotage.

Finally, labor unions will sometimes take a *strike vote* during the course of negotiations to convince the employer that the union means business and that its membership is solidly behind the leaders. Sometimes, the union fully intends to strike; at other times, the strike vote may merely constitute a bluff or threat which, it is hoped, will tip the scales in favor of the union's negotiators.

Secondary Activities of Employers and Associations

Just as labor unions engage in many secondary internal activities which are designed to reinforce their principal internal activity, collective bargaining, so also do employers and their associations resort to secondary activities in an effort to enhance bargaining strength. There is one notable difference, however, which should be pointed out between the secondary activities of the employer and those of the union. Most of the employer's secondary activities, especially prior to the 1940's, have been used—often literally—to “break” a union or to keep one from organizing the firm rather than merely to improve the employer's bargaining strength. This is especially the case where the employer has not accepted unionism and collective bargaining as yet, or in situations where his acceptance thereof has taken the form only of grudging recognition which has been forced upon him by legal processes. A brief discussion of principal secondary activities of the employer now follows.

The Lockout. This device, which is the employer's traditional counterpart of the union's strike, constitutes a withholding by him temporarily of his demand for labor and is often timed so that the union which may be weighing strike action is “beaten to the draw,” so to speak. Just as the strike gives the union an alternative to the employer's negative responses to union demands other than going back to work, so the lockout provides the employer with an alternative to a union's possible “take it or leave it” attitude during collective bargaining. Although the device has been used in some nations to a greater extent than in this country, the lockout has probably never been used in any country as frequently as the strike. Perhaps one reason for this is the fact that the lockout is more apt to be used by an association rather than by a single employer. As association bargaining in this country becomes more common, *if it does*, the lockout may appear more frequently in this nation's labor disputes.²⁷ Some 1967

²⁷ A lockout may at times be illegal under federal law if it is used as a means of discriminatorily discouraging unionization. However, sympathy lockouts by members of an employers' association are legal, if the union is using “whipsaw” tactics. A lockout threat by an employer would generally be considered unlawful where no strike or economic loss is threatened by the union. See Commerce Clearing House, Inc., *Labor Law Course*, 1964 (Chicago, 1963); p. 1593.

changes in rules of the National Labor Relations Board following rulings by the Supreme Court have afforded a degree of freedom to the employer's use of the lockout. Thus, under the new rules, an employer may close down his business to exert pressure on a union provided the only purpose of the employer is to force the union to accept his *legitimate* bargaining position. Also, the lockout may be utilized so long as it is not a means for carrying on illegal antiunion activity.

Hiring Strikebreakers. The hiring of strikebreakers is a very old tactic of the employer and is used to make a strike ineffective. In addition to breaking a strike, the employer may hope that the use of strikebreakers will also break the union by making it appear weak and futile, and such was often the case in decades past. As early as the 1890's, when union membership in this country was still well under the one-million mark, at least 15 different agencies were furnishing strikebreakers for employers in Chicago alone, with an even larger number of such agencies operating in New York City.²⁸ Probably the most famous strikebreaking agency up to the present century, however, was the Pinkerton Detective Agency. Employers' associations, too, have often provided their member firms with strikebreakers.²⁹

Contrary to the assumption that strikebreakers tend to shorten strike action, they have often served to prolong a strike by exaggerating the tensions already present. This has sometimes resulted quite naturally from the plying of their trade by the strikebreakers or, at other times, because the strikebreakers have realized they could maximize their earnings if they could keep a strike going and thus prolong their employment. Strikebreakers have often been armed in the past—sometimes by employers who kept sizable arsenals inside their plants. In such instances, strikebreakers have been furnished such weapons as baseball bats, revolvers, machine guns, shotguns, tear and sickening gas, and other convincing aids. Needless to say, persons wielding such weapons have often been unsavory characters, as noted in a previous chapter, a fact which has stimulated unions to employ similar individuals to oppose the imported strikebreakers. Since 1936, the federal Byrnes Act has prohibited the transportation of strikebreakers in interstate commerce. This law, however, does not forbid the use of *intrastate* strikebreakers, and such agents are still frequently used by some employers during bitter strikes.

Back-to-Work Movement. Related to the lockout and the use of strikebreakers, which are claculated either to beat or to break a union-sponsored strike, is the strategy known as the back-to-work movement. In this connection the employer has frequently sent representatives to the

²⁸ Edward Levinson, *I Break Strikes* (New York: Robert M. McBride Co., Inc., 1935), pp. 14–17.

²⁹ Philip Taft, *Economics and Problems of Labor* (3d ed.; Harrisburg, Pa.: Stackpole Co., 1955), p. 498.

homes of striking workers to convince them or their wives that most strikers are going back to work on a given day and that their interests would be best protected if they, too, joined the movement. Announcement is also made of the back-to-work movement in the press, with subsequent pictures of workers filing back into the plant. Thus, it is hoped that the psychological reaction on the part of most workers will be one of fear for their jobs and that this will lure them to cross their union's picket lines.

Mohawk Valley Formula. Perhaps the most complete and ingenious device for breaking strikes was the so-called "Mohawk Valley Formula," which was devised and used successfully by the Remington Rand Company in 1936. This device was really a composite of many traditional employer devices and included newspaper publicity to make the union look like a tyrannical agency imposing its minority will upon the majority of workers opposed to the strike, the use of citizens' committees and the National Guard, employer-provoked violence, the fomenting of a back-to-work movement, and an auspicious public opening of the plant on back-to-work day with bands, speakers, and the like.

Farming Out Struck Work. Still another device for improving the employer's staying power, and hence his bargaining power, during a strike is that of enlisting the help of fellow employers in filling production contracts during a strike. Through this medium the employer is in reality utilizing the facilities of another firm in the role of strikebreaker. Closely related to this activity is that of members of an employers' association. When one of the members is struck by a union or unions, the rest may either agree to aid the struck member by turning over the excess profits which they may reap during his strike, or they may all shut down when one of their group is struck in order to prevent the union from succeeding via the "divide and conquer" technique.

Propaganda. Finally, in order to augment the firm's or the association's bargaining power, the employer or his association will, like the union, make much use of propaganda in the firm's employee publication or through radio and television broadcasts beamed at workers, in which the position of the employer or employers in the dispute is made to appear thoroughly justifiable, while that of the union is severely condemned. Such propaganda is also frequently released through handbills, circulars, and speeches to the work force as well.

Antiunion Tactics. While the tactics of the employer discussed above are designed to augment his bargaining power and/or to decrease that of the union, there have been even more numerous tactics designed to break unions or to keep them out of an employer's plant. These will merely be mentioned here, since they have rarely been used for the single purpose of helping an employer to win in a given collective bargaining situation. *Espionage*, or the planting of the employer's agents

in the ranks of the union, has often been used in the past to enable the employer to be fully informed as to members, funds, and plans of the union. The *black list* was used almost as soon as unions appeared and consisted of a list of names of union members, sympathizers, or organizers which was circulated among employers, who consequently would not employ such persons. *Private police systems*, which were first used by railroads in Pennsylvania in 1865 to protect passengers and property from wanderers and thieves, have often been used since then to deny to workers any organizational rights. In many instances, private police systems have amounted to a virtual private army in the control of the employer and with the employer usually made free from liability for false arrest. On occasion, guards and watchmen in large firms have functioned as a private police system in every way except in name.

The narrow type of *company union* which is dominated by the employer was used especially during the 1920's in order to keep outside unions from organizing the work force. The *yellow-dog contract*, whereby workers would agree not to join a union during the life of the contract, also appeared prominently during the first three decades of this century. Finally, devices such as *paternalism*, *litigation* or threats thereof, and *open-shop* movements have all figured at times in the employer's strategy for blocking unionism.

Many of the miscellaneous antiunion devices noted above have been made illegal under federal labor relations law and/or court decisions. Included in the illegal category would be espionage, the black list, the narrow form of company union, and yellow-dog contracts. It should be observed, however, that making a device illegal does not necessarily terminate its use. Thus, even today the afore-mentioned devices are often found being used by the most rabid antiunion firms. Their use may even be legal on the part of small firms coming under state legislation in the more agricultural states. On the other hand, larger firms involved in interstate commerce and therefore under federal labor relations law are frequently found utilizing illegal devices either because they hope to be overlooked in law enforcement or because they feel the sanctions which might be imposed under the law would be less costly than collective bargaining. In this connection it may be noted that legal sanctions—especially under labor laws of the 1930's—have not been updated over the past two decades of inflation; thus, penalties and fines which may have been of deterrent value during the depression-ridden 1930's may seem of little consequence in periods of affluence such as the present.

RESULTS OF INTERNAL ACTIVITIES

As noted earlier in this chapter, the end result of collective bargaining in this country is the written, signed labor agreement which is hammered

out by the parties around the bargaining table. The instrument, which is of necessity a compromise between the two parties under which they hope to live in relative peace for a time, is the result of the *bargaining skill* of the two parties' representatives as well as of the *bargaining strength* which they have been able to muster. The typical labor agreement consists of three principal parts: the *preamble*, which states the general purposes and coverage of the contract, as well as the degree of union recognition; a long and varied list of *specific provisions* relative to wages, hours, and other conditions of employment; and a closing statement concerning the *duration* and *termination* of the contract.

Contract Terms Classified

If the terms of a typical labor contract are organized or classified as to content, it becomes evident that the negotiatory objectives of the labor and employer representatives have been those of resolving the major *economic problems* and the *employee insecurities* discussed in the early portion of this book as being peculiar to and a result of industrialization. Each party has attempted to resolve these problems and to deal with the insecurities of workers in accordance with its own interests. The resulting provisions therefore represent a compromise between the two vested-interest positions.

The terms of a hypothetical, albeit typical, labor contract are hereunder classified as to major topics dealt with in the first portion of this text:

WAGE PROVISIONS:

- General wage increase
- Retroactivity of wage increase
- Incentive wage system
- Payment for "down time"
- Daily versus weekly wage computation
- Shift bonus
- Rate of pay for temporary transfers
- Christmas bonus
- Overtime pay

HOURS PROVISIONS:

- Vacations
- Holidays
- Rest, wash-up, and lunch periods on company time
- Leaves of absence
- Time off for voting

WORKING CONDITIONS PROVISIONS:

- Transfers
- Physical examinations
- Union/management safety committee

UNION SECURITY PROVISIONS:

- Union recognition clause
- Union shop clause
- Checkoff
- "No strike" clause
- Management prerogatives clause

EMPLOYEE SECURITY PROVISIONS:

- Severance pay
- Grievance procedure
- Seniority clause
- Union stewards
- Jobs for older workers
- Health and welfare plans
- Hospitalization plan
- Group insurance plans
- Pension plans
- Guaranteed annual wage

All of the topical headings under which the labor contract provisions are classified above represent major problem areas which have been discussed in earlier portions of the book, with the exception of the *union security* heading. This topic will be discussed fully in the next chapter. It is obvious that the two classifications, *Wages* and *Employee Security*, occupy a larger proportion of the typical labor agreement than the others. This has become increasingly the case in this country during the past two decades as a result of the emphasis which has been placed on wages and fringe benefits.

As has been noted or implied several times, the labor agreement is in reality a compromise between the two bargaining parties. The exact nature of the compromise depends upon two things: the *bargaining skill* attained by the two parties' negotiators and the *bargaining strength* which each party is able to command at a given time. It may be well to note in passing that of the two, bargaining strength is probably the more important determinant of the labor agreement.

Bargaining strength is itself determined by forces outside the control of the two parties as well as by forces within their control. The secondary or auxiliary internal activities, tactics, and devices which have been discussed in this chapter relative to each party are forces within their control which are designed to enhance bargaining strength. Another internal device for augmenting the unions' bargaining strength has recently been initiated by the Industrial Union Department of the AFL-CIO. Labeled "coordinated bargaining," this approach seeks to unite several unions which normally have bargained individually with a given employer. Thus, united, they may work out common goals for the coming negotiations and may even agree on specific bargaining demands. A special division has even been created by the Industrial Union Depart-

ment to furnish technical aid and guidance for unions who wish to avail themselves of it.³⁰

Forces outside the control of the two parties would include such items as the level of economic activity at a given time, industrially or generally; the nature of labor relations legislation in a given jurisdiction; the tenor of public opinion with respect to the two bargaining parties and their bargaining positions; general or industrial expectations concerning economic conditions in the immediate future; the strategic position of the union as well as the degree of cohesion and discipline within its ranks; the ease of substituting capital for labor in a given situation; and the employer's financial and profit position at a given time within his industry.

In all probability the forces outside the two parties' control may well be the actual deciding forces in the determination of the nature of the labor agreement which emerges from collective bargaining. One of the most important of these forces undoubtedly is the level of national economic activity and employment at a given time. If it is high, the union's bargaining strength is immeasurably enhanced; if it is low, the bargaining strength of the employer benefits therefrom. This explains, in part, the preference on the part of labor organizations for higher levels of employment and lower levels of unemployment than is true of the typical employer.

Industrial Government

In a sense, the whole process of collective bargaining, with its resulting agreements, might be thought of as one form of industrial government. As such, there are many parallels between this government and that found within the state and federal realms of government in this nation. Thus, the *legislative* branch may be said to exist in the form of the bargaining representatives of the two parties, who meet periodically to draw up the terms under which they will live for a stipulated period of time. These terms, as embodied in the labor agreement, then become the basic *law* or *constitution* which governs the activities and sets the responsibilities of the two parties toward each other. The *judicial* phase of government is provided via the grievance machinery, which examines, as cases arise, the conflicting interpretations of the *law* as it is applied daily and determines the "correct" interpretation of the law. Finally, the law-enforcing function or the *executive* responsibilities of government are left to labor relations boards (state or federal) and to state and federal courts which, in the final analysis, have the power to enforce the terms of the labor agreement as long as it is in effect.

The industrial government described above, it should be remembered,

³⁰ *Wall Street Journal*, July 20, 1964, p. 1.

is only *one* form of industrial government which might be utilized. Other forms would include unilateral government on the part of the employer, and government via wage, price, and profits controls through some central governmental agency like the OPA of the World War II period. Which of these is the optimum form of industrial government is a value judgment which each society must make. The free enterprise industrial society, as will be noted in the next chapter, initially starts with a high degree of unilateral government by the employer and gradually evolves a more representative form of industrial government such as that described above. Totalitarian nations, on the other hand, and even free enterprise nations during periods of military crises, use central controls and government of industry through wage and price boards and/or compulsory arbitration. Each form of industrial government has its strengths as well as its weaknesses. It is for each society to decide which form is "best" for that society at a given time. As far as the United States and most other free enterprise nations are concerned, it seems likely that collective bargaining—subject, of course, to some governmental regulation—will continue to constitute the principal form of industrial government in the immediate future. It is highly possible, however, that in the longer run ahead, further governmental intervention—even to the point of compulsory arbitration combined with governmental wage and price determination—may be tried in a number of heretofore free enterprise nations.³¹ In this connection it may be observed that within the last decade as several strikes have assumed area-wide or even nationwide proportions requiring hasty governmental action, increasing written and spoken comments favoring compulsory arbitration—at least in the basic industries—have been forthcoming. National polls conducted by reputable agencies at periodic intervals have purportedly shown the general public to be moving in attitude toward acceptance of the idea of compulsory arbitration. Nevertheless, to date both the major parties and the Congress appear extremely reluctant to establish compulsory arbitration as a national norm and opposition to it is very great among most labor and management groups.

It is highly possible that from a distance the alleged advantages of compulsory arbitration may loom larger than some of its problems. Presumably two of the principal advantages of compulsory arbitration would be those of its claimed negative effect on inflationary pressures and its dampening effect on strike activity. The only nations which have

³¹ The Advisory Committee on Labor-Management-Policy reported to President Kennedy in May, 1962, on free and responsible collective bargaining and industrial peace. Among other conclusions, the Committee noted that all of the members were convinced that free collective bargaining should continue to be the main procedure for determining essential conditions and terms of employment. See "Report of Presidential Committee on Free Collective Bargaining," *Monthly Labor Review*, July, 1962, pp. 767-70.

had any long-run experience with compulsory arbitration are Australia and New Zealand, with systems dating from the early years of this century. Yet, both nations have had problems with strikes and inflation which in many periods have been more intense than the experience in this country as well as in other nations. It is highly likely that the economic and political power of large unions and large employing units is not really negated by compulsory arbitration but merely refocused so that it is applied to the arbitration boards or courts. Additionally, if the arbitration system is not able to come up with settlements as satisfactory to the two parties as those they might negotiate themselves, it is possible that strike action—even though illegal—might be intensified.

One of the observed effects of compulsory arbitration is the tendency for the two parties to bypass bonafide collective bargaining in favor of governmental settlements. Thus, if a conservative government is in power, it may be the employer interests who might gamble on getting a better deal via compulsory arbitration than through negotiation. If a liberal government is in office, it might well be the labor union interests who would prefer to gamble on governmental settlements being more advantageous. Those who see compulsory arbitration as moving settlements closer to management's positions might be disappointed. Where it has been used an observed tendency toward more liberal decisions has been in evidence. After all, an administration wanting to stay in office must have votes and there are more potential votes in the ranks of labor than in those of management.

Despite the possible problems associated with compulsory arbitration, it is still true that the claimed advantages of it often look more palatable to the man on the street than the costs of strikes and/or inflation. Consequently, at some point in time he may insist that the nation move to implement a system of compulsory arbitration. If and when this might happen, it is only to be hoped that the virtues of this approach will not be overshadowed by the problems which accompany its inception.

SUMMARY

In this chapter, the primary internal activities of the two bargaining parties have been found to be those associated with collective bargaining. The negotiatory skills of the two parties were seen as reflected in the types of demands, proposals, and counterproposals which each makes in negotiating with the other, as well as in the strategies employed by each party in trying to outmaneuver the other.

Bargaining skills, however, were found to be only a part of the means utilized by the parties in assuring a successful negotiation. In addition, many auxiliary or secondary internal activities, tactics, and devices were noted as having been used by the respective parties with a view to

enhancing their bargaining *strength*. Bargaining strength, in the final analysis, was noted as probably the most important determinant of the nature of collectively bargained agreements.

The end result of the primary and secondary internal activities of the two parties was seen as constituting, in reality, a form of industrial government embodied in the written, signed labor agreement which has come to be expected in this nation. As such, this industrial government is only one of three alternative forms of industrial government which could be used, but it is the form which is expected to continue its predominance in the free enterprise nations over the foreseeable future.

DISCUSSION QUESTIONS

1. What does union recognition by the employer imply under varying conditions and circumstances?
2. Can you think of any advantages to the employer flowing from *acceptance* of the union along with recognition?
3. Why is collective negotiation increasingly handled by national union rather than local unions? Do you think this is a desirable trend? Why, or why not? Is it an inevitable trend?
4. Discuss various factors which are likely to influence labor union leadership in shaping bargaining demands.
5. What are some possible prices which an employer may pay who deliberately decides to fight unionization of his workers? Under what conditions might the price be too high?
6. What are some influences on employer organization for industrial relations which may have stemmed from unionism?
7. What are possible disadvantages to negotiators which might flow from the technique of asking for much more than they expect to get? What are some advantages? Why is it unlikely that the parties will some day only ask for what they hope to receive?
8. How might many of the procedures in collective bargaining under certain conditions be termed "ritualistic" as opposed to genuine bargaining? Are there any advantages to be gained from collective bargaining even when it is largely ritualistic?
9. Would you favor legislation prohibiting the use of the strike or lockout? Would there be costs associated with such a policy as well as with strikes and lockouts? Weigh these costs, and try to determine which are greater in weight.
10. Why is the absence of the right to strike tantamount to the existence of enforced or "slave" labor?
11. Note (a) some factors which could lead to a decline in the use of strikes or lockouts in the future and (b) factors which might lead to an increased use of these devices.

12. Compare the merits of industrial government via collective bargaining with those of unilateral government in industry by the employer and those of governmental regulation by way of wage and price determination. Which alternative do you favor, and why? Which alternative do you think the nation will prefer in the foreseeable future, and why?
13. Comment on the advantages of a desirable grievance mechanism in the labor contract to both employer and employee.

SELECTED READINGS

- BAKKE, E. W.; KERR, C.; and ANROD, C. W. *Unions, Management, and the Public*, especially Sections 5–8. 3d ed. New York: Harcourt, Brace & Co., Inc., 1967.
- BARBASH, JACK (ed.). *Unions and Union Leadership*. New York: Harper & Bros., 1959.
- BEAL, E. F., and WICKERSHAM, E. D. *The Practice of Collective Bargaining*. rev. ed.; Homewood, Ill.: Richard D. Irwin, Inc., 1963.
- CHAMBERLAIN, NEIL W. "Strikes in Contemporary Context," *Industrial and Labor Relations Review*, July, 1967, p. 602 ff.
- CHEERNISH, WILLIAM N. *Coalition Bargaining: A Study of Union Tactics and Public Policy*. Philadelphia, Pennsylvania: University of Pennsylvania Press, 1969.
- COMMERCE CLEARING HOUSE, INC. *Labor Law Course*, 17th ed., pp. 1051–1106. Chicago, 1967.
- COMMITTEE ON CHURCH AND ECONOMIC LIFE, NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A. *The Right to Strike and the General Welfare*. New York, N.Y.: Council Press, 1967.
- CULLEN, DONALD E. *National Emergency Strikes*. Ithaca, New York: New York State School of Industrial and Labor Relations, October, 1968.
- DAVEY, HAROLD W. *Contemporary Collective Bargaining*. 2d ed. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1959.
- DUNLOP, JOHN. *Industrial Relations Systems*. New York: Henry Holt & Co., Inc., 1958.
- DUNLOP, JOHN T., and HEALY, JAMES J. *Collective Bargaining*. Rev. ed. Homewood, Ill.: Richard D. Irwin, Inc., 1953.
- ROSS, ARTHUR M. "Changing Patterns of Industrial Conflict," *Monthly Labor Review*, March, 1960, pp. 229–37.
- SIMKIN, WILLIAM E. "Refusals to Ratify Contracts," *Industrial and Labor Relations Review*, July, 1968, p. 518 ff.
- UPHOFF, WALTER H. *Kohler on Strike*, Boston: Beacon Press, 1966.

INDUSTRIAL GOVERNMENT AND INSTITUTIONAL SECURITY

The typical form of industrial government which evolves via collective bargaining is inevitably accompanied by problems of institutional security, i.e., the security of the owner/management institution and the security of the labor union as an institution. Each of these institutions sees *survival* as a vital goal. Survival, to the owner/management institution, refers to the ability to remain in control of essential operations for which it must be responsible if the firm is to be operated efficiently and profitably. From the labor union's standpoint, survival usually refers to the ability of the union to continue as the bargaining agent for a given group of employees, although it may occasionally refer even to the continued existence of the union itself. Thus, institutional security, as the term is used herein, implies some assurance that survival of the institution in question can be achieved.

Each of the institutions noted above entertains, understandably, a certain amount of fear toward the ambitions and operations of the other. Hence, the owner/management institution constantly fears that unionism will so encroach upon its desired prerogatives as to make it impossible to operate the firm efficiently and profitably. By the same token, the labor union constantly fears that the firm will turn employees against the union and eventually eliminate the union from the firm or the entire industrial scene. The fears herein noted vary in intensity from situation to situation, so that they may be so mild as to be almost nonexistent in some situations while assuming an overwhelming influence in the industrial relations in other situations. A by-product of the owner/management's fear of the union has been the oft-expressed idea that some limits must be placed around the union's bargaining rights. On its side the typical labor union has aggressively resisted the imposition of such limits while at the same time devising various implements for assuring its own institutional security.

This chapter will be divided into two major segments. The first of these segments will discuss the problem of managerial prerogatives versus union bargaining rights, a discussion most concerned with security of the owner/management institution. The second portion of the chapter will be concerned with the issue of union security as it has evolved especially in this country.

MANAGERIAL PREROGATIVES VERSUS UNION RIGHTS

Prerogatives Defined

Managerial prerogatives in industry have been variously defined. Thus, the term has been defined on occasion as the right of the owner/manager to exercise certain powers or privileges without having to engage in prior consultation with any other person or group of persons. The *residual powers* explanation of managerial prerogatives views said prerogatives as constituting a totality prior to the coming of collective bargaining but being subject to a gradual contraction thereafter by collective bargaining. Hence, with this approach, managerial prerogatives at a given time simply consist of whatever prerogatives remain for the owner/manager to exercise after collective bargaining has modified or reduced them for a period of time. A direct relationship between the degree of erosion of prerogatives and the length of time collective bargaining has operated is thus implied.

Still another approach to managerial prerogatives is sometimes designated as the *trusteeship* approach. This approach views management as possessing multiple obligations to stockholders, employees, and consumers. In addition, any one of these obligations may be discharged in alternative ways. Thus, for example, management's obligations to the firm's employees *may* be carried out by way of collective bargaining if this appears to be the most desirable medium to all parties concerned. On the other hand, the firm's obligations to employees may be handled in some other way, such as unilaterally by the employer, if this appears to those concerned to be most desirable.¹

Representatives of corporate management have sometimes simply referred to their prerogatives as the rights and powers which are essential to the efficient operation of a business or industrial firm, including such items as the hiring of a work force, determination of production methods and the product to be produced, the pricing and marketing of the end product, the location of plant, and the financing of operations. These, along with other rights and powers, have been said by management

¹ For a full discussion of both the "residual powers" and "trusteeship" theories, see Harold W. Davey, *Contemporary Collective Bargaining* (2d ed.; Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1959), p. 159.

spokesmen to lie outside the scope of collective bargaining and entirely within the authority and responsibility of management. While some disagreement has existed among managerial representatives as to what items precisely should be included in the term *essential rights and powers*, they have virtually all included more rights and powers in the term than are currently exercised by management groups which are subject to collective bargaining.

Regardless of the definition of managerial prerogatives which is adhered to, there is little doubt that this institution, like others, has been undergoing evolutionary change. In other words, managerial prerogatives do not constitute a sacred, changeless entity, as some would like to make of them in the interests of managerial security. Within the United States the change in the scope of managerial prerogatives as well as in the scope of their counterpart—union bargaining rights—has sometimes been almost revolutionary in nature, as witness the past quarter of a century. A brief history of managerial prerogatives now follows.

Historical Perspective

Pre-Industrial Revolution. The beginning of the evolutionary development of managerial prerogatives antedates the industrial society. Since it involves essentially the superior/subordinate relationship, it goes back at least to the master/servant concept, the lord/serf arrangement, and even to the parent/child interrelationship. All of the preindustrialization superior/subordinate relationships have involved the question as to the right of the superior to direct or control the subordinate, and the right of the subordinate to speak out against or to question this rule.² In general, the answer to this basic question prior to industrialization typically left little in the way of real right on the part of the subordinate to question the rule of the superior.

In so far as the superior/subordinate relationship in the business or industrial firm was concerned, English *common law* had dealt with this before industrialization's advent, and its pronouncements thereon carried over into the industrial society both in England and in this country. English common law definitely held the owner of a firm to be the sole governor of that entity, with virtually unchallengeable prerogatives of hiring, firing, promoting, or demoting employees, as well as the power to affix wage rates, set working hours, and determine the quality and nature of working conditions. Thus, the subordinates in this relationship—the workers—had no legal right to question the employer's wisdom or to influence him in his decisions. It was assumed, of course, that free

² See Neil W. Chamberlain, *Labor* (New York: McGraw-Hill Book Co., Inc., 1958), chap. xii.

competition in the market place would protect the worker from abuse. Further, the worker theoretically possessed the protection afforded by freedom of contract, which gave him the right to change employers if he felt he was being abused.

The owner, to be sure, was required by English common law to assume certain duties thereunder. These duties consisted of assuring his employees of (1) a safe place in which to work; (2) safe tools, equipment, and machines; (3) sufficient and competent fellow workers; (4) suitable and reasonable rules of employment; and (5) adequate training for inexperienced workers. These legal duties, however, were not too strenuously enforced, since the employee prior to the 19th century was not really represented in legislative, administrative, or judicial agencies of the government because he possessed no right of franchise. As time went by, the "reasonable man" principle was accepted by the courts, which meant that as long as an employer could prove that he was carrying out his legal duties to the extent which could be expected of any prudent ordinary person, he would be adjudged as meeting his legal requirements.

There is no gainsaying the fact that the resultant form of industrial government was highly unilateral and autocratic in nature. The owner's prerogatives were very comprehensive, while the workers' bargaining rights were so meager and illusory as to be virtually meaningless. The principal foundation underlying this concept of managerial prerogatives was the institution of *private property*, which was presumed to carry with it the right to use private property in any legitimate way deemed desirable by the owner as well as the right to direct fully any who might be employed to work on or with the owner's property. It should be noted, too, that unilateralism or autocracy within business and industry was thoroughly consistent with prevailing ideas in the realm of government, the Church, the home, and the school, to name only a few areas in which the superior/subordinate relationship was weighted overwhelmingly in favor of the superior.

It should not be thought that unilateralism in industrial government always meant tyrannical control over the work force by the employer. There were benevolent monarchs in this realm as well as in the political realm. On the other hand, there was little real assurance that the owner would be benevolent toward his employees. As a matter of fact, intense competition in the product market might often have been found to force the employer to deal more harshly with his employees than he personally might have preferred on humanitarian grounds. Actually, the unilateral mode of industrial government probably worked fairly well prior to industrialization. It should be recalled that the average firm was small in size, so that employees did have more alternative places of employment than their counterparts in the industrial economy. Then, too, the educa-

tional level of the employees was, in general, quite low, a fact which made unilateral government not only desirable but perhaps even necessary. Finally, with small firms the owner/employee relationship was highly personal, and their bargaining strengths more on a par than was to be the case later in the industrial economy.

It is not surprising to find that unilateral industrial government based upon property rights was extended into the early phases of industrialization. While firms were growing in size, on average they were still relatively small in the early decades of industrialization. Furthermore, with labor organization in its infancy, and with labor still not possessing the right to vote, neither bargaining pressure nor legislation to alter the form of industrial government could have been expected to materialize at this juncture. This was a period, too, in which the virtues of *laissez faire* and free markets (both factor and commodity) were being extolled by most industrialists, politicians, and economists. Nevertheless, even in the early decades of industrialization, institutional developments were beginning to emerge which would one day mean drastic alterations in the scope of managerial prerogatives.

The Corporation and Prerogatives. Major institutional developments which occurred with the spread of industrialization and which were to have pronounced effects upon the scope of managerial prerogatives were the formation of labor organization and the coming of the corporate form of business organization. The first of these developments has already been dealt with in earlier chapters. The corporate form of business organization and its effects on managerial prerogatives will now be discussed.

Probably the most apparent change in industrial life associated with the corporation is the change in the size of the firm or the employing unit which it made possible. The increased use of mechanization in production elevated the fixed or overhead costs of production, thereby making growth in the size of firm an increasingly economical development as industrialization progressed. The increase in the size of firm, however, was considerably limited under the single proprietorship and partnership forms of business organization. The corporate form of organization, on the other hand, extended the limits unbelievably. Consequently, the average size of the producing and employing unit grew rapidly. This in itself would have meant some change in managerial prerogatives, since the relative bargaining strengths of the firm and the employees were thereby greatly altered. The resultant increased use of collective bargaining meant that the power of the subordinate to challenge the rule of the superior would be enhanced.

The corporate form of business organization introduced other changes in the industrial relations area apart from that related to size of firm. One of the most important of these was the separation of ownership and

management. Thus, the ownership of the corporation rests in the stockholders thereof, who may be few or large in number, locally concentrated or widespread as to residence. At the scene of industrial action the two principal groups in charge are not the traditional owner/worker groups, but rather two *employed* groups of individuals. The first of these groups is a small select group employed by the corporation to manage the industrial enterprise; the second of the two groups is a much larger group of variskilled employees who are hired to perform the more or less routine tasks of production in accordance with managerial policies. This fundamental change, added to the growth in size of the firm, caused labor relations in the typical firm to become ever more impersonal. In addition, the foundation of property rights as a justification for arbitrary managerial prerogatives was less convincing with the coming of absentee ownership. Although many were convinced that the power flowing from property ownership should extend to those (management) who direct the *use* of the firm's property, it became increasingly difficult to secure universal acceptance of this principle as industrialization proceeded.

There were still other developments which were gradually forcing a reassessment of managerial prerogatives as they had been established under English common law. Among these were the rising educational level of industrial workers, the spread of democratic forms of government in the political sphere of national life, and their gradual extension to the home, Church, school, and other institutional areas. As the industrial employee's educational level rose via the medium of free public education, he was more apt to question the traditional bases of managerial prerogatives or, at least, to lend an attentive ear to potential labor leaders who were raising such questions. The growing awareness of the industrial worker also led him to the conclusion that the democratic freedoms and privileges of which the society allegedly assured him were of little meaning to him unless they followed him to the workplace. Indeed, there was developing within the economy at large the notion that absolute power over human beings should not be allowed to exist in any major area of national life and that, rather, power should rest on a popular base.

As a result, labor organizations, through their spokesmen, increasingly challenged the common-law scope of managerial prerogatives and attempted thereby to alter the scope of said prerogatives. Thus, it was suggested that while property rights should indeed confer to the owner control over the *property* in question, it did not follow that this same control should extend arbitrarily to the "free" *persons* employed to work with the property, since such a situation would be inconsistent with democratic principles. It was further suggested that while the owners of a firm possess *tangible* property rights in the physical property of the firm, perhaps the employees thereof possess certain *intangible* property

rights in their jobs as long as they hold them. If such be the case, then it would follow that the individuals in question should have something to say about the manner in which those jobs are performed and the conditions under which they are performed.

Finally, it was suggested on occasion that any government, including industrial government, within a democratic society should be legitimate government, i.e., it should be representative of the interests and wishes of the governed. It was contended in this connection that the owner of a firm or its management, try as it might, simply could not really represent the interests of the work force at the same time and to the same degree that it was representing the interests of ownership. Hence, it was argued that the work group should be entitled to participate via its unions in matters of industrial government directly affecting it.

In accord with the above views of industrial government which appeared after the corporate form of business organization became reality, industrial workers increased their organizational activity as industrialization progressed and, through their organizations, requested an increasing degree of participation in hitherto exclusive prerogatives of the owner/management. Although the courts for a time delayed the inevitable changes by holding unions guilty of trespass on private property, this position could not be maintained in the face of the changing institutions of the industrial society.

As a result, unilateral autocratic government by the owner/manager in industry was gradually replaced in the private enterprise industrial economy by a bilateral representative form of government sometimes referred to as industrial democracy. Arbitrary *control over* people by corporate management tended to be succeeded by the need to secure the *cooperation of* people and their organizations. Corporate management's prerogatives have shrunk accordingly in so far as matters directly affecting the work force are concerned, and management has sacrificed some independence and flexibility of action in this whole process. On the other hand, it is possible that many corporate managements have found that they have not been entirely on a one-way street. That is, the costs to management of the loss of independence and flexibility of action were sometimes found to be partially offset by a higher degree of worker cooperation than might have been possible in given situations under continued autocratic government and control.

It is probable that a good case could be made for the fact that industrial democracy is not so efficient, at least in the short run, as industrial autocracy. By the same token, however, political democracy has generally been recognized as being less efficient in the short run than political dictatorship. In both situations, it should be noted that short-run and long-run efficiency may be confused; and there is a danger, as well, in placing too much emphasis upon efficiency alone, without regard for

the desires or needs of the group affected by the government in question. Presumably, these desires are to be given a high degree of importance in the democratically oriented society. Consequently, even if some efficiency be sacrificed in the process of setting up industrial democracy, it may still possibly be considered a desirable exchange by the majority of those concerned.

Justifications of Bilateralism. In addition to the general justification of bilateral industrial government noted above, many other specific justifications have been advanced from time to time. Thus, it has been posited that if management's decisions are to affect the welfare of free human beings, this in itself should entitle such individuals to the right to some voice in such decisions. Others have noted that market forces are inadequate in the short-run specific situation as a protector of workers' economic rights and that, consequently, only by being represented in day-to-day industrial government can workers be assured of adequate protection. In contraposition to the argument of the investment of capital as a justification of unilateral industrial government, it has sometimes been argued that workers also have risks involved in the industrial setting, i.e., the risk to health and even life itself which may accrue to industrial employment. Thus, if risk capital confers governmental rights on the owner/management concept, so the risks assumed by the worker likewise should confer some governmental rights upon him.

Proponents of unilateralism have often argued that bilateral industrial government dangerously divides the loyalties of the worker as between the firm and the union. This situation, it has been noted, is apt to lead to inefficient operation of the firm. In opposition to this argument, it has been contended that there is nothing inherently wrong in the existence of dual loyalties on the part of employees. This in itself does not necessarily mean that employees will be inefficient. On the contrary, employees who want to organize but who are prevented from doing so might well be less efficient under conditions of seemingly undivided loyalty than they might be under conditions of dual loyalties where they have been permitted to organize and to share in phases of industrial government directly affecting them.

Finally, a relatively recent argument in favor of bilateral industrial government holds that efficient operation of a plant or firm demands that all those who may *affect* a decision and its implementation should have a part in its inception.³ This argument is obviously closely related to the old argument, noted earlier, that persons affected *by* decisions should have some voice in them. The difference, primarily, is in the implications of the two arguments. One implies that employees, as a matter of

³ See Neil W. Chamberlain, "Organized Labor and Management Control," *Annals of American Academy of Political and Social Sciences*, March, 1959, pp. 152-60.

democratic right, should possess some voice in industrial government. The more recent of the two arguments implies that the efficient operation of the firm may hinge on the degree to which all who can affect a decision, i.e., make it succeed or fail, are brought into the making of the decision.

How Much Bilateralism? The arguments or justifications for bilateralism just discussed to the contrary notwithstanding, many representatives of management still remain unconvinced that any phases of management should be shared with the representatives of their employees. Many still reiterate the contention that the economic goals of the firm are important and even vital to the owners of the firm, and that management cannot work successfully to attain these goals if hampered by collective bargaining or bilateralism. Further, many representatives of management are decidedly fearful that labor will not be satisfied with having a voice in decisions affecting it *directly* but will press on to gain a voice even in decisions affecting it *indirectly*. Thus, the question is often raised by corporate managers or by single proprietors, namely: What phases of management must ultimately be shared with labor's representatives?

Attempts to Answer the Question. As the scope of managerial prerogatives and that of union bargaining rights have continued to evolve, various attempts have been made to answer the question posed in the preceding section. These attempts have included the insertion by management of so-called "management-rights" clauses in the labor agreement, the summoning of national labor/management conferences by the President of the United States, and the search for such limitations in the laws and judicial decisions of the nation. These attempts will now be briefly discussed in turn.

The *management-rights* clause has come to be used in a majority of the labor agreements in this country. These clauses are of two main varieties, namely, the detailed or specific type of clause and the blanket or general type of clause. The detailed management-rights clause lists specific types of decisions which are to be reserved to management. Such listings typically include items such as determination of the corporate structure of the firm, size and personnel of staff, business practices, the end products to be produced, financing of operations, and location of the plant. In addition, detailed management-rights clauses may include items such as the setting of the work speed, the disciplining of the work force, the formulating of the work rules, the scheduling of work, working hours, promotions, transfers, and layoffs. Although some firms are convinced that the detailed type of clause affords maximum protection against union encroachment, many firms are fearful—some from bitter experience—that a listing of managerial prerogatives may either tempt the union to try to wrest some of them from management or by its very

specificity imply that any item inadvertently left out of the list is to be considered a bargainable topic.

A study by the Bureau of Labor Statistics of agreements covering 1,000 or more workers each during the period 1963–64 disclosed that only about half the agreements in these relatively large firms contained a management right clause.⁴ Most of these clauses, found in 713 contracts, contained detailed provisions specifically enumerating management's rights, while only a minority, found in only 147 contracts, featured the general type of management rights clause. This study also noted that once the firm decided to set up a detailed management rights clause, those rights revolving around the direction of the work force were accorded greatest importance. Tracing some of the management rights clauses back to 1955, it was found that about 80 percent of them were left unchanged once incorporated in the labor contract. Most of the changes which were found to have been made occurred in the latter part of the period or after 1960 and most changes were in the direction of more elaborate clauses and greater detail in their wording.

Although many management spokesmen are undoubtedly of the opinion that the presence of the management-rights clause in the contract is of some value, its actual effect with regard to the issue of union bargaining rights versus managerial prerogatives is uncertain. One thing is sure: that unions have continued to increase the number of bargainable topics despite the use of management-rights clauses. It is therefore reasonably apparent that this device has not answered once and for all the question as to what phases of management must be shared.

A second approach to the question just noted has been the summoning of national labor/management conferences by the President of the United States. First tried in this country in the aftermath of World War I, the experiment was repeated by President Roosevelt in 1941, by President Truman in 1945, and by President Eisenhower in 1960. Among other items on their agenda in 1945, the prominent labor and management officials called to Washington in that year were asked by President Truman to draft a statement outlining the bargaining rights of trade unions and the prerogatives of corporate management. The conference adjourned without fulfilling this request. Management representatives had wanted to divide managerial functions into two categories. The first and much the larger category was to contain items which would belong exclusively to management and would lie within the realm of management's decision-making powers, without any consultation with or inter-

⁴ For a complete review of this study, see Richard F. Groner and Leon E. Lunden, "Management Rights Provisions in Major Agreements," *Monthly Labor Review*, February, 1966, pp. 170–74.

ference from a labor union. The second category, a very short one, was to include items in which management should retain the power to initiate action but which might later be subject to review by the union via the grievance process. Specific items included in the second category were discharge for cause, application of seniority provisions, penalties relating to disciplinary action, and "such other items as may be mutually agreed upon." Items in the first category with which unions would probably have been most unsympathetic included determination of job content, assignment of work, selection of employees for promotion to supervisory positions, and discipline of the work force.

Management representatives attending the 1945 conference adjourned fully convinced that labor unions were looking toward continued expansion of their bargaining rights, a fact which management representatives thought could only end in joint management of industry. Union representatives, on the other hand, left the conference under the opinion that it would be a mistake to try to erect a fence around each of the bargaining parties, since this would only invite each side to try to surmount the fence and thus would contribute toward excessive labor/management strife.

The conference which was called by President Eisenhower in 1960 differed from earlier conferences in that while earlier meetings were tripartite in nature, including representatives of the public as well as of the two principal parties, the 1960 conference was attended only by representatives of labor and management. Although this conference convened several times in 1960, it came no closer to resolving the problem at hand than had its predecessors.

Early in 1961, the late President Kennedy established the Advisory Committee on Labor-Management Policies. A 21-member committee consisting of the Secretaries of Labor and Commerce, five public representatives, and seven representatives each from labor and management, this Committee was entrusted with, among other things, a continuous search for and recommendation of policies designed to promote free and responsible collective bargaining and industrial peace. Thus far, this Committee has also failed to define the boundaries between managerial prerogatives and union bargaining rights. However, the Committee has stated its preference for free, collective bargaining with a minimum of governmental regulation and an absence—in peacetime—of compulsory arbitration. It should be noted, finally, that President Johnson made little use of this committee during his five years in office. Hence, it will always be possible to conjecture what the committee might have accomplished had it been utilized more.

As a final approach to the question of the amount of the management of the firm which must be shared with labor organizations, many have searched the provisions of labor relations laws as well as the decisions of

courts and quasi-judicial bodies. This approach, too, has failed to produce a clear-cut answer to the question. Federal labor relations law⁵ in this connection simply provides: “. . . to bargain collectively is the performance of the mutual obligation of the employer and the representative of the employees to meet at reasonable times and confer in good faith with respect to wages, hours, and other terms and conditions of employment.” It is clear that the law leaves to further evolutionary development the question of managerial prerogatives versus union bargaining rights.

The National Labor Relations Board's decisions also fail to answer the question specifically, with that agency preferring to decide each case upon its merits. In general, it may be said that, if anything, the trend in NLRB decisions since the Board's creation in 1935 has been one of expanding the scope of union bargaining rights. Even since the passage in 1947 of the Taft-Hartley Act, a law which restricts unions somewhat, the Board has ruled that several topics be added to the “bargainable topics” category. Thus, since 1947, group insurance plans, private industrial pensions, and stock purchase plans have all been adjudged bargainable topics by the NLRB.⁶ The federal judiciary has also declined to draw a line between union bargaining rights and managerial prerogatives. In general, the courts have upheld NLRB decisions in such matters, just as they did with respect to the three specific topics noted above.

Hence, despite the use of management-rights clauses, the holding of national labor/management conferences, and the enactment of labor relations legislation, the question as to what phases of management must ultimately be shared with labor organizations still remains unanswered. One of the principal reasons for this state of affairs, in all probability, is the apparent lack of agreement not only between labor and management groups as to where the line should be drawn, but even within the ranks of management and those of labor as to the exact location of such a line. It becomes quite clear, therefore, that there are virtually no limits on the bargaining rights of labor unions in a democratic free enterprise society except the relative bargaining strengths of labor and management. These concepts are subject to variation from situation to situation and from one time period to another. Further, it is apparent that contrary to its desires,

⁵ See National Labor Relations Act, Section 8 (d). It should be pointed out, of course, that requiring the employer to bargain does not require him to make any specific concessions to representatives of his employees. The chances that such concessions will be made are enhanced, however, if the area over which the employer must bargain is constantly being expanded.

⁶ See Chester A. Morgan, *Trends in NLRB Decisions During 1953-54*, Research Series, No. 10, and *Trends in NLRB Decisions, 1955-56*, Research Series, No. 19 (Iowa City: Bureau of Labor and Management, State University of Iowa, 1955 and 1957, respectively); also Walter L. Daykin, “Furnishing Wage Data for Bargaining,” *Labor Law Journal*, June, 1953, pp. 417-22.

management has had to accept the fact that it cannot determine for itself just what its prerogatives are or will be.

Evaluation and the Future

The economic goals of the firm in a private enterprise economy are vitally important to owners of small firms and—by the same token, presumably—to the owners and management of a corporate entity. In a real sense, too, the economy as a whole has a stake in the degree to which the economic goals of firms in general are achieved. On the other side of the picture, the human aspects of labor, as well as their economic, social, and political desires, are vitally important to that segment of the free enterprise economy. In large measure, too, the goals of industrial labor are presumedly important to the economy as a whole if it professes to be democratically oriented.

The important question which is posed by the seemingly conflicting goals of labor and management might be expressed as follows: How much protection can be extended by the economy to the human aspects and goals of labor without endangering the economic goals of the firm and of the total economy? While it is virtually impossible to answer this question, it may be of interest to make herein some observations relating to the problem.

In the first place, it does not seem warranted to conclude that the survival of business or industrial firms has been seriously threatened to date because of the evolutionary development in managerial prerogatives and union bargaining rights. Numerous occasions have been recorded wherein the union in question has modified its demands in order to assure the survival of the firm and, consequently, of union members' jobs. In addition, there does not appear to have been an increase in the mortality rate of industrial firms through time which could be assessed solely against the growth in the scope of collective bargaining.

Secondly, the growth of collective bargaining does not appear to have advanced wages relative to profits in the economy as a whole. As noted in an earlier chapter, there has tended to be a high degree of constancy over the long run with respect to the distribution of national income among factors of production.

Despite the above observations, of course, it could be contended that had the scope of managerial prerogatives not shrunk so much as they have, the typical firm would have been *more* efficient and profitable than it has been, and the total economy's gross national product subject to even *more* rapid growth than it has experienced. The counterargument would probably be that the greater efficiency and the additions to gross national product which might have resulted from a preservation of managerial prerogatives would not have been worth their cost in the

form of unprotected human aspects of labor as reflected by the economic, social, and political desires of labor in a democratic society.

After all the arguments and counterarguments have been advanced, there still remains a very real concern on the part of managerial spokesmen for *future* developments in managerial prerogatives and union bargaining rights. Thus, the National Association of Manufacturers has expressed this alarm as follows:

Efficient production—highest output at lowest unit labor cost—is industry's primary objective. But certain developing trends in union-employer relations pose threats to this goal and point to increased management vigilance as the price of retaining control and authority over operations. . . . Despite the fact that most American unions declare their belief in management's right to manage, in practice they insist on bargaining about an ever-broadening range of matters. There has been an unbelievable extension of bargainable items.⁷

Organized labor in its turn has maintained often that it has no intention of replacing management or of assuming the responsibilities of management. President George Meany of the AFL-CIO has reiterated the belief of that organization in free competition and the profit system. Mr. Meany has further insisted that labor could not and would not touch aspects of management which do not affect it *directly*, but that it would demand a voice in any aspect of management which might affect labor *directly*. In view of the forebodings of management and the protestations of organized labor, what is the future likely to hold with respect to further developments of managerial prerogatives and union bargaining rights?

If the past is any guide at all to what may be expected in this area in the foreseeable future, it must be concluded that further change in managerial prerogatives and union bargaining rights will take place. It would be a mistake to conclude, however, that the change must always be in the same direction. It is highly possible that at some point the scope of collective bargaining may cease to expand or may even be narrowed somewhat. Union leadership can probably be expected to continue to try to broaden the bargaining rights; management, on the other hand, can be expected to resist such overtures. The change which comes in specific instances will depend, in the final analysis, on the relative bargaining strengths of the two parties. The amount of additional participation in management which unions will seek may very well depend upon how well management handles certain aspects of labor relations. Thus, unions are going to continue to seek for their members three basic factors: economic security, the chance for advancement, and an acceptable status. If management fails to recognize or to fulfill these desires of employ-

⁷ Employee Relations Department, National Association of Manufacturers, *Preserving the Management Function in Collective Bargaining*, Information Bulletin No. 24, New York (May, 1956).

ees, there will be attempts to realize them through further sharing of management via collective bargaining.

An important factor in short-run changes relative to managerial prerogatives and union bargaining rights, of course, is the shift in NLRB and federal court personnel with changes in administration. Thus, the Eisenhower NLRB was somewhat more conservative than the Boards which preceded it under Democratic Administrations. On the other hand, the Kennedy and Johnson Boards represented a shift toward more liberality. With the election of President Nixon in 1968, another shift toward a more conservative NLRB seemed to be a foregone conclusion with possibilities also extant for a shift in the Supreme Court makeup toward conservatism.

In the larger societal framework, the relationships between labor and management will be viewed critically. If it should become apparent to society as a whole that leaving the determination of the scope of bargaining and of managerial prerogatives to the two parties is not producing the most satisfactory results for the economy as a whole, there may be attempts to draw a line between the two parties by way of legislation. Whether this transpires will depend upon a number of factors, including, among others, the fortunes of organized labor's political influence. In general, it will probably remain true that most items affecting employees *directly* will be subjected to collective bargaining, with such items being defined with varying degrees of liberality from one situation to another.

There does not now appear to be any desire upon the part of organized labor to establish anything like codetermination as practiced in West Germany.⁸ Nor does the labor movement in this country appear to have any fondness for nationalization of industry. On the contrary, some of the most outspoken opponents of nationalization in this country have come from within organized labor's ranks. Hence, it would appear reasonable to conclude that although management may continue to fear for its security, and even though it may have to give up in certain instances a little more in the way of prerogatives, basically it will remain secure in its primary function of combining resources in more or less efficient production units. At the same time, however, it should be recognized that management will not likely ever regain the prerogatives once held by the entrepreneur under English common law, nor will it be able to dislodge bilateralism from industrial government in the majority of large-scale production environments.

UNION SECURITY

The second type of institutional security to be discussed in this chapter, that of union security, has been in industrial nations an issue of

⁸ Under this setup, labor is given minority representation on some corporate boards of directors and, in coal and steel, at the managerial level, too.

major proportions at recurring intervals. The typical labor organization tends to be interested in two types of security, namely, the personal security of the union member and the institutional security of the union as a bargaining agent. Of the two forms of security, the latter is probably of primary importance, since it would be difficult for an insecure union to do much in the way of assuring the personal security of the union member. In every industrial nation, labor unions have experienced, especially in their formative years, a constant sense of insecurity. Perhaps, in part, this has been due to an instinctive realization that from a functional standpoint, unionism is less secure than management. This may be true since it is conceivable, although not probable, for all industry to be operated without labor organization; it would be utterly impossible, however, to operate any industry in any type of economy without the managerial function being discharged in some manner. Even within nationalized industries, there must be a managerial hierarchy to plan production, formulate policy, and combine the factors of production in more or less efficient units.

Consequently, because of a constant feeling of institutional insecurity, labor unions have tried to achieve a higher degree of security in various ways. Thus, a shoemakers' union in this country applied a crude form of closed shop in order to gain a measure of security in the early years of the 19th century, while some printing trades unions similarly sought greater union security during the 1830's.⁹ By the time of the Civil War, it is probable that most labor organizations were endeavoring to keep nonmembers from employment. It is clear from this early history of unionism, as well as from more recent periods of its development, that labor organizations have sought membership security, jurisdictional security, and financial security.

Threats to Union Security

The traditional concern of the labor union for its security as an institution logically leads to the question as to what constitute the principal threats to the security of the union. In general, labor unions may experience threats to their security from one or more of four sources, which will be briefly discussed in succeeding paragraphs.

Antiunion Employers and Associations. Perhaps the earliest threat to union security is the antiunion employer or an association of same. Such an individual, firm, or association steadfastly refuses to accept unionism and collective bargaining as essential institutions in the industrial economy and thus takes many and drastic steps to eliminate the union from the plant, firm, industry, or even the entire economy. In most industrial

⁹ See James L. Toner, *The Closed Shop* (Washington, D.C.: American Council of Public Affairs, 1932), p. 24; also Joseph G. Rayback, *A History of American Labor* (New York: Macmillan Company, 1959), p. 55.

nations, sooner or later, the aggressively antiunion employers tend to give way to a more conciliatory and negotiatory group, resigned to living with the institutions of unionism and collective bargaining. Such a development appeared to take place in Sweden around 1908, in England during the 1870's, and in Australia early in this century. In the United States, however, not only was the antiunion employer very aggressive, but he persisted as a major force until the late 1930's, when he was literally forced by liberal labor legislation to subside somewhat. As a result, it has been contended on occasion that the labor unions of this country have experienced a greater degree of employer-initiated insecurity for a longer period of time than was true of labor unions in most other major industrial nations.

The Apathetic Employee. As unionism develops within a nation, another source of insecurity apparently is the apathetic employee, who can seemingly "take unionism or leave it." Apathy toward unionism on the part of employees may be attributable to a number of reasons. The employee may fear to displease an employer known to be bitterly opposed to unionism. If economic conditions are booming, the employee may be of the opinion that employment conditions will improve without any collective action. In a given situation a group of employees may not like the specific union currently representing the workers, either because of its leadership or because of its tactics. In a few instances, employees belonging to a given religious sect may object to unionization on religious grounds. Finally, some employees may be apathetic toward union membership because they see a chance to benefit from collective bargaining without paying anything toward the support thereof. Such workers, branded as "free riders" or "hitchhikers" by unions, usually do not desire to work in a nonunion plant under nonunion wage scales or fringe benefits, but prefer to enjoy these benefits, if possible, without any cost or effort on their part.

In this connection, too, labor unions in this country appear to have experienced more insecurity than their foreign counterparts. The scarcity of human resources in this country, which induced rapid individual upgrading and progress toward affluence; the immigrant as a divisive force in the working class; and the agricultural backgrounds of many industrial working-class recruits have all contributed to dull the interest of a large minority of workers in unionization. By contrast, joining the appropriate union is the "thing to do" in most other industrial nations, where employees are apparently more enthusiastic about collective economic action.

Short-Term Employments. Peculiar employment conditions in some industries also contribute to the insecurity of related unions. Thus, in the building and construction industry, for example, where labor turnover rates are high and where employment on a given project is of short-term

duration on average, the unions in question have always experienced a high degree of membership, jurisdictional, and financial insecurity. Similar characteristics are found in longshoring and maritime employments. This source of union insecurity is not peculiar to or even more prevalent in this country than in others, but constitutes a security problem for particular types of unions in all industrial nations.

Rival Unionism. A final threat to the security of the labor organization is found in rival unionism. Involved here are the oft-recurring quarrels between two or more craft unions, or between craft and industrial unions, as to their respective jurisdictions. Such disputes are most common among craft unions, since their jurisdictional boundary lines are relatively obscure and tend to become even more so with the passage of time and the continued mechanization of industry. That a real problem exists in this connection was indicated by discussion in an earlier chapter relative to the multiple "no raiding" pacts which have been engineered by unions in this country.

Rival unionism has been more of a source of union insecurity in this country than in many others because of the persistence for decades of craft unionism as the dominant form of labor organization. Thus, it was not until the 1930's that industrial unionism began to emerge in wholesale fashion in this country. By contrast, industrial unionism became the rule two to three decades earlier in Germany, the Scandinavian countries, and Australia. Consequently, rival unionism has posed less of a threat to union security in such nations than in this country.

Formal Union Security Devices

The labor unions of this country have probably made more use of *formal* devices for assuring their institutional security than have their counterparts elsewhere.¹⁰ Several of the recognized formal union security devices have originated in this nation. The large number of such formal devices used in this country and the extent of their use are undoubtedly both attributable to the greater relative sense of insecurity experienced by unions here in contrast to unions of most other countries. Hence, this

¹⁰ This should not be interpreted to mean that unions in other countries utilize no pressure to assure universal organization of workers within a firm. Informal means such as social pressure play a large role in bringing workers into the typical foreign union. However, much less use is made of *formal* devices than in this country. A recent study indicates a growing use in England of the closed shop and its variations with some of the variations approaching union shop and the preferential union shop as they are found in the United States. It is noted that about 16 percent of all employees in Great Britain work under some form of closed shop now while about 39 percent of all union members are to be found under various closed shop arrangements. See W. E. J. McCarthy, *The Closed Shop in Britain* (Berkeley and Los Angeles, California: University of California Press, 1964).

phenomenon should not be considered a by-product of peculiar union or union leadership characteristics in this country but, rather, a direct result of the severe threats to union security which have existed since the beginnings of unionism here. Each of the most common union security arrangements will now be discussed.

The Closed Shop. One of the oldest and definitely the most stringent form of union security is that known as the closed shop. Under this arrangement the individual must be a union member before he is even eligible to apply for work in the firm. This arrangement is especially sought by craft unions, since it contributes to their desire to restrict the skilled labor supply. Thus, it was endorsed at a very early date by the AFL. The closed shop is frequently combined with the union *hiring hall*, which, in essence, permits the union to select the firm's employees, since the firm needing given skilled workmen so notifies the appropriate union, which in turn sends the requested number of skilled workmen to the firm for employment. The maximum amount of labor supply control is achieved with the infrequent combination of the closed shop with the *closed union*. In such an arrangement an individual must be a member of the union to secure employment, but the union has closed its doors one way or another to additional members, thus achieving perfect control, seemingly, over a given labor supply.

The closed shop has been unlawful in interstate commerce under federal law (the Taft-Hartley Act) since 1947 and was also unlawful under 19 state laws early in 1969.¹¹ The device is still lawful in 31 states for firms engaged in intrastate commerce, thus coming under state labor relations enactments. There are thought to be a number of tacit or "bootleg" closed shops in existence, despite federal and state provisions to the contrary, and it should be observed that such arrangements evidently possess the sanction of the employers involved or otherwise they could not exist. The sanction of employers may often be of a grudging variety and probably should not be confused with whole-hearted support. The closed shop is especially liked by unions in the printing, construction, and longshoring industries. Evidence of this exists in the special treatment accorded construction industry unions by the 1959 Labor-Management Reporting and Disclosure Act of the federal government. Under this law the National Labor Relations Act is amended so that "prehire" arrangements are legalized in the construction industry under which union membership may be made compulsory within seven days after a person has been hired.¹² While this provision does not reestablish the closed shop in the construction industry, it does

¹¹ Alabama, Arizona, Arkansas, Florida, Georgia, Iowa, Kansas, Mississippi, Nebraska, Nevada, North Carolina, North Dakota, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, and Wyoming.

¹² See Section 8 (f) in the National Labor Relations Act, an amendment added by the Labor-Management Reporting and Disclosure Act of 1959.

make it somewhat easier for the unions in question to attain union security than had been possible under the Taft-Hartley Act.

The "open shop" is often referred to as the exact opposite of the closed shop. Theoretically, this means that all workers, union and nonunion alike, are welcome in such a firm. In actuality, the open shop is really a form of closed shop, too. Such a firm is typically closed to union members, just as the bonafide closed shop is closed to nonunion workers. The term *open shop* has been utilized notably by employer groups desiring to give a democratic connotation to their hiring practices in contrast to the alleged undemocratic connotations of the closed shop.

Preferential Hiring. A near relative of the closed shop is the arrangement of preferential hiring, or what is sometimes called the preferential union shop. Under this device the employer is obligated to hire union applicants if such are available, although he may hire nonunion men if union members do not apply. Often, the union hiring hall or a central union/management hiring hall is combined with this arrangement, which means that the union may have considerable power in the selection of the firm's employees if it has unemployed members to refer to the firm. The longshoring unions have long utilized preferential hiring to replace the older and hated "shape-up." Under the latter system, when a ship docked for unloading of cargo, unemployed longshoremen would be lined up on the dock with a representative of the employer and perhaps one from the union moving down the line to select employees for the job at hand. An employee's selection did not always depend upon his ability as a workman, and it should be obvious that employment opportunities under this system would not be awarded on an equitable basis. With preferential hiring and the union hiring hall arrangement, rotating lists of longshoremen are maintained which presumedly assure approximately equal employment opportunities to members of the longshoremen's union in question.

After the passage of the Taft-Hartley Act in 1947, with its ban on the closed shop, considerable doubt existed as to the legality of preferential hiring as it existed in the maritime trades and longshoring. It has been sanctioned under certain specified conditions by decisions of the National Labor Relations Board, however, a fact which in itself may be indicative of the difficulty in uprooting by legislation a practice which has become firmly embedded in a given industrial setting. Included among conditions specified by the NLRB for the continued operation of a hiring hall by a union are the following: the union may not restrict referral of applicants to union members; employers must have the right to reject applicants referred by the union; and notices must be posted in union hiring halls containing the NLRB conditions which seek to prevent discrimination by the union against workers who are not union members.

The Union Shop. The most common form of union security arrangement in this country today is that known as the union shop. In this

instance the individual need not be a union member in order to apply for work, but he is required to join the union within 30 to 60 days after his employment in order to retain his job. While affording considerable membership security to the union in question, this device imposes little restriction upon the employer in selecting employees, in contrast to the closed or preferential-hiring shops. The industrial type of labor union prefers the union shop to the closed shop, since such a union does not have the same desire to restrict labor supply which is characteristic of the craft union. Occasionally, a concession is wrung from the union by an employer which results in the so-called *modified union shop*. Usually, this means that employees on the payroll at the time the union shop is written into the contract are not required to join the union, although all workers hired thereafter are forced to join the union within the stipulated period of time. This was the arrangement which was made by General Motors and the UAW when a modified union shop went into effect in that firm in 1950. Later, the steel industry set up a similar union shop.

Although the union shop is permissible under federal law, it is subject to some regulation thereunder, and it is an illegal device under the 19 state laws which ban the closed shop. Further, the federal law (Taft-Hartley Act, Sec. 14 (b)) provides in effect that in any state which prohibits the union shop, such prohibition shall extend to firms in interstate commerce as well as to those in intrastate commerce. The net result is that the union shop as of 1969 was a legal device for any firm agreeing to it within 31 states, but an illegal arrangement for any firm within the other 19 states. It should be noted that the 19 states banning the union shop are not highly industrialized; and furthermore, they tend to be concentrated in the Midwest, South, and Southwest portions of the country, where unionism and collective bargaining are least advanced.

Maintenance of Membership. A form of union security which experienced a great degree of utilization during World War II is that known as maintenance of membership. Under the pure form of this arrangement, any union members must remain union members during the life of the contract. Under the revocable form, workers are typically given an escape period of 10 to 15 days at the beginning of each contract term to decide whether to be inside or outside the union. This device, which had been used during the 1920's and the 1930's in a few industries, was seized upon as a compromise arrangement during World War II by the National War Labor Board. At the outset of the war, the issue of the closed or union shop versus the "open" shop was extremely critical. The National War Labor Board wanted to assure labor/management peace, if possible, in order to promote the war effort. The "maintenance of membership" device was seen as the compromise which might satisfy both parties. Thus, it protected the employer from conceding more union

security than would have been conceded by him under the more normal conditions of peacetime; while, at the same time, it afforded a measure of membership security to the union once the "escape period" was passed.

Maintenance of membership was not too satisfactory to either party, as it tended to result in a divided shop. In some instances during the war, employers could be found urging workers to join the union during the "escape period" so as to assure labor harmony within their plants. At the same time, unions did not like this form of union security, since it was not as certain or as comprehensive as either the closed or the union shops. As a result, in the years since World War II, this device has dwindled in use, while the union shop has tended to replace it. Maintenance of membership, while legal under federal law, is illegal in the 19 states which outlaw the closed and union shops.

The Agency Shop. The final and weakest form of union security is the agency shop. With this setup the individuals who do not want to join the union for some reason are not forced to do so, but they must pay to the union a fee for bargaining services rendered which is nearly always equivalent to union dues. This fee does not entitle the nonmember to attend union meetings or to vote in union elections, except possibly when a strike vote is conducted. Being of a divisive nature, as well as affording little in the way of union security, the agency shop is seldom palatable for either the firm or the union and is rarely used in the United States. In 1963 the federal Supreme Court removed doubts as to the legality of the agency shop by ruling that it is a lawful form of union security under the Taft-Hartley Act.¹³ However, it should be noted that a state right-to-work law could legalize the agency shop for all employees within the state.

The Checkoff. While the union security forms just discussed provide for varying degrees of membership security, the unions of this country have still experienced a need for some assurance of *financial* security. That is, the problem of a steady flow of union dues from each member still faces the union, even though it is granted a degree of security as the bargaining agent. Financial security has been attained by most unions in this country through the device known as the checkoff, whereby the employer deducts union dues and sometimes fees, fines, and assessments from the union member's pay check and then transfers such funds to the union. This form of financial security is rarely used by unions in other nations, where members are seemingly less reluctant to pay their union dues than in this country. Many union leaders abroad operate on the theory, too, that the collection of dues by the union tends to strengthen it, while turning this task over to the employer might weaken the union. Here, the checkoff is generally utilized in combination with one of the other forms of union security discussed above. While the employer has often chafed

¹³ *NLRB v. General Motors Corporation* (U.S. 1963) 47 Labor Cases.

under the yoke of serving as the union's dues collector, he has often preferred this arrangement to the alternative, namely, the presence of union representatives near the plant on payday to try to collect the union's dues from the workers before they have spent their pay.

Several forms of the checkoff are to be found in the labor contracts of this country:

1. The *voluntary irrevocable* form, in which the union member must sign a form authorizing the checkoff and in which his permission, if given, is irrevocable by him, usually for one year or the duration period of the contract, whichever is shorter.
2. The *year-to-year renewal* or *perpetual* form, in which the worker's signed authorization of the checkoff continues in effect over a succession of years and/or contracts if the worker does not take positive steps to revoke it.
3. The *voluntary revocable* form, which allows the worker to revoke his checkoff authorization at any time he so desires.
4. The *automatic* form, under which the employer agrees to deduct automatically the union dues and to send them to the union, a form which affords the employee no choice.
5. The *involuntary irrevocable* form, which forces the worker to sign a checkoff authorization in order to retain his job, and which does not permit him to revoke same.

Under federal law and many state laws, the worker must sign a written authorization for the checkoff before any union dues or fees may be deducted by the employer. Thus, in these jurisdictions the automatic and the involuntary irrevocable forms above are illegal and consequently are seldom used, even though they are the strongest forms of union financial security yet devised. In the right-to-work states, it is not uncommon to find the voluntary irrevocable form of checkoff replacing the more traditional types of union security.

The employer usually bears the clerical expenses associated with the checkoff. As of 1958-59, in a small minority of contracts covering about 2 percent of workers under collective agreement, provision was made for the union to reimburse the employer for the cost of the checkoff arrangement. Generally, the employer assumes the cost of the checkoff by implication rather than by contractual provision. In other words, the practice has been handled so long in this manner that it has become almost traditional for the employer to bear the costs involved.

Prevalence of Union Security Forms

Formal union security clauses in labor agreements of this country are quite common and appear to be increasing in prevalence over time. A

study in 1958–59 by the Bureau of Labor Statistics gives evidence of this trend. This study surveyed 1,631 labor agreements, each covering 1,000 or more workers, or virtually all agreements in the nation of this size exclusive of the railway and airline agreements (see Table 16–1). Thus, while 75 percent of workers under the contracts surveyed were employed under a formal union security arrangement in 1946, by 1958–59 the proportion had risen to 81 percent. A marked shift has occurred in the relative use made of the different forms of union security. The closed shop disappeared (officially) from use, and maintenance of membership dropped from 25 percent to 7 percent between 1946 and 1958–59. On the other hand, the union shop rose from 17 percent to 74 percent. These

Table 16–1 Union security provisions in major collective bargaining agreements

Type of Union Security	Percentage of Workers Surveyed			
	1946	1949–50	1954	1958–59
Closed shop.....	33	*	*	*
Union shop.....	17	49	64	74
Maintenance of membership.....	25	20	17	7
No formal provision.....	25	31	19	19

* Bureau of Labor Statistics reports issued since the passage in 1947 of the Taft-Hartley Law, which prohibits the closed shop, have classified the latter as a type of union shop.

Source: "Union Security Provisions in Major Union Contracts," *Monthly Labor Review*, December, 1959, pp. 1348–56.

shifts reflect the illegality of the closed shop after 1947, the end of the wartime use of the compromise form of maintenance of membership, and the growth of industrial unionism which favors the union shop arrangement.

The agency shop was found by the Bureau of Labor Statistics in only 15 contracts, covering much less than 1 percent of the workers under contract, and so it does not appear in Table 16–1. About 20 percent of the union shop clauses were found to embody the *modified* union shop, as discussed earlier in the chapter. The closed shop was discovered in 45 agreements, but these were principally local agreements outside the federal legislative prohibition of the device. The survey probably does not reflect all the *sub rosa* or "bootleg" closed shops which are suspected of being in operation, because they are tacit rather than explicit in nature. Since 1947, the Bureau of Labor Statistics has classified closed shops as a form of union shop. Less than 10 percent of the agreements surveyed provided for preferential hiring, and only a portion of these utilized the union hiring hall. The union shop was discovered as being most popular in the Middle Atlantic, East-North Central, and Pacific

regions of the country. This device was least common in the Midwest, South, and Southwest, where it is illegal in most states in those areas.

The checkoff has become quite common, too, in the labor agreements of this country since 1942, when only 20 percent of workers under collectively bargained agreements were covered by the checkoff.¹⁴ By 1946, about 40 percent of workers under collective agreements were subject to the checkoff, while 77 percent were so covered by 1958-59. On the other hand, approximately 29 percent of the labor contracts in 1958-59 still contained no checkoff provisions. Some of these contracts are to be found in building trades agreements where employment on a given job is short-term in nature; other such agreements exist because of employer opposition to the checkoff; and a minority of these contracts exist because the unions involved preferred to retain the intimate relationship offered through the personal solicitation of dues by union representatives.

As of 1958-59, about 71 percent of agreements with the checkoff provided for the checking-off of union dues, 46 percent extended to initiation fees, 19 percent involved the deduction of special assessments, and 1 percent even applied the checkoff to union fines.¹⁵ The checkoff was found to be present in 76 percent of the 1958-59 contracts not having other formal union security provisions, while only 70 percent of the contracts with other formal union security arrangements also contained the checkoff. The checkoff appeared to be less prevalent in association-type agreements in 1958-59 than in those involving a single employer, with only one third of the former possessing the checkoff in contrast to nine tenths of the latter. Industrially speaking, the checkoff is more apt to be found in manufacturing firms than in nonmanufacturing enterprises. About 84 percent of manufacturing agreements include the checkoff, while only 48 percent of nonmanufacturing contracts had such a provision in 1958-59. This is probably due, in part, to the greater prevalence and strength of unionism in manufacturing as opposed to nonmanufacturing industries.

On a geographical basis, checkoff clauses are most popular in the New England, East-North Central, South Atlantic, and the East-South Central areas of this country, with about 80 percent of all contracts in these areas containing such clauses. On the other hand, only 40 percent of the labor agreements in the Pacific region included the checkoff in 1958-59, for the lowest percentage of any region in the nation. State laws which ban union security devices like the closed and union shops appear to lead to aggressive demands within those states for the checkoff. Thus, about 85

¹⁴ "Checkoff Provisions in Major Union Contracts, 1958-59," *Monthly Labor Review*, January, 1960, pp. 26-31.

¹⁵ The percentages here total more than 100 percent because many checkoff clauses provide for the checking off of more than one of the items noted.

percent of workers under collective agreements in these states are covered by the checkoff, in contrast to about 68 percent in the rest of the states.

Attitudes toward Union Security

Attitudes in this country toward formal union security devices vary widely as among the three groups affected thereby, namely, employers, employees, and the public in general.

Employer Attitudes. From the beginning of the attempted use by unions of the closed shop, employers and/or their associations have been opposed, at times vigorously, to the whole idea of making unions secure within the firm. Several "open-shop" movements have been sponsored through the years by employer groups up to and including the years since World War II. On the other hand, the opposition to union security devices by employers appears to have undergone some alterations since the 1930's. In the first place, the fact that the majority of labor agreements now provide for union security may be in itself an indication that employers have concluded, in the main, that better labor relations are apt to be attained through secure unions than through insecure unions. On the other hand, the growing prevalence of formal union security provisions may simply attest to the overwhelming demands for the same by unions, demands which simply could not be resisted effectively by most employers. Secondly, the larger employing units appear to be less hesitant about incorporating formal union security provisions in their labor agreements than are smaller employing units. Small and medium-sized employing units located in rural areas are especially opposed to formal union security setups. This is apparently one reason that state laws prohibiting the use of union security devices exist almost entirely in the relatively agricultural states and are almost nonexistent in the relatively industrial states.

Finally, employer opposition to devices such as the closed and union shops seems to have shifted from the collective bargaining scene to the political and legislative scene. Thus, the battle lines between unions and employers are most sharply drawn over legislation designed to prohibit union security devices, while the issue is much less crucial, seemingly, at the collective bargaining table. Perhaps this indicates that individually, the employer cannot afford to resist the union security demands in collective bargaining, so he turns to legislation, by which he hopes to make universal the absence of formal union security arrangements at what he hopes will be less cost to himself than he would incur by trying to stem the tide alone.

Employee Attitudes. Employees are by no means unanimous in their evaluation of formal union security. It would appear that employees of

small or medium-sized employing units are less enthusiastic about compulsory unionism than their counterparts in larger employing units. This is especially the case if the smaller units are located in a rural setting and are drawing their employees either from the farm or from the small town, where individualism still seems to be the watchword.

In larger firms located in urban centers where most of the unionized labor is employed, the attitude seems to be highly favorable toward the union shop and other union security media. This approval of compulsory unionism by workers in general throughout the country was quite evident over the period 1947–51. During that period, under the original provisions of the Taft-Hartley Act of 1947, the union shop could be instituted only if a majority of those eligible to vote in a bargaining unit voted in favor of the device in a secret ballot election sponsored by the National Labor Relations Board.¹⁶ From August 22, 1947, until October 22, 1951, the National Labor Relations Board conducted 46,119 union shop elections.¹⁷ Despite the stringent voting requirements, the union shop was authorized in 97.1 percent of the elections, with 84.8 percent of employees eligible to vote casting valid ballots, and with 77.5 percent of the ballots favoring the union shop (see Table 16-2). This overwhelmingly favorable vote for the union shop in all kinds of industrial plants was a distinct surprise to the opponents of the device and, perhaps, to its proponents as well. The end result was a 1951 amendment to the Taft-Hartley Act, introduced by the late Senator Taft, striking the union shop authorization election from the law and thus returning the union shop to its former status as a bargainable topic.

The union shop deauthorization election which remains in the Taft-Hartley Act has constituted another indication of the general popularity among employees of the union shop. Under this provision, whenever 30 percent or more of the employees within a bargaining unit request by petition a union shop deauthorization election, the NLRB will conduct such an election. If the majority of those eligible to vote favor via the ballot a rescinding of an existing union shop, the NLRB will so order the termination of the union shop in question, leaving the rest of the contract intact. This procedure was unused between 1947 and 1952, inclusive. From 1953 to 1958, inclusive, only 123 deauthorization elections were held in the entire country, with about 60 percent of the elections favoring deauthorization. Since only approximately 11,000 voters figured in all the elections, however, it is apparent that the procedure was used in

¹⁶ It should be noted here that the voting requirements were quite stringent in that not a majority of those voting but a majority of those *eligible* to vote had to favor the union shop before it could be established.

¹⁷ See National Labor Relations Board, *Sixteenth Annual Report, for Fiscal Year Ending June 30, 1951* (Washington, D.C.: U.S. Government Printing Office, 1951), p. 301.

Table 16-2 Results of union shop authorization polls conducted from August 22, 1947 to October 22, 1951*

Fiscal Year	Total Number of Polls	Union Shop Authorized		Employees Eligible to Vote	Percentage Casting Valid Votes	Total Valid Votes Cast	Valid Votes Cast for Union Shop	Percentage of Eligible Employees
		Number	Percentage					
August 22, 1947–October 22, 1951.....	46,119	44,795	97.1	6,542,564	84.8	5,547,478	5,071,988	77.5
1948 (August 22, 1947–June 30, 1948).....	17,958	17,601	98.0	1,852,333	88.0	1,629,330	1,534,980	82.9
1949.....	15,074	14,581	96.7	1,733,922	84.8	1,471,092	1,381,829	79.7
1950.....	5,591	5,377	96.2	1,072,917	84.0	900,866	805,189	75.0
1951.....	5,964	5,759	96.6	1,623,375	82.3	1,335,683	1,164,143	71.7
1952 (July 1, 1951–October 22, 1951).....	1,532	1,477	96.4	260,017	81.0	210,507	185,847	71.5

* The requirement of union shop authorization polls was abolished by Public Law 189, approved by the President on October 22, 1951. However, the law still provides for deauthorization polls when appropriate.

Source: National Labor Relations Board, *Sixteenth Annual Report, for Fiscal Year Ending June 30, 1951* (Washington, D.C.: U.S. Government Printing Office 1951), p. 301

small firms primarily; and even in such firms, continued authorization of the union shop prevailed in 40 percent of the elections held.¹⁸ From 1959 to 1964, inclusive, a total of 154 deauthorization polls were conducted with about 65 percent favoring deauthorization of the union shops in question. The last three years witnessed a marked increase in the number of such polls conducted, with 28 in 1962, 45 in 1963, and 34 in 1964. The percentage of such polls going for deauthorization was also rising, with 67.9 percent in 1962 and 71.1 percent in 1963 favoring discontinuance of the union shop. In 1964, the percentage dropped to 67.6. In 1966, some 68 polls were conducted, a large number for one year, but only 66.2 percent favored deauthorization and only 4,777 eligible voters were involved in all 68 polls. Such polls are thus still largely confined to relatively small firms as is indicated annually by the small number of eligible voters involved all told.

Thus, it would appear from the evidence at hand that formal union security clauses are viewed favorably by the bulk of industrial workers. This should come as no surprise, since from the very beginnings of unionism the union worker has resented having to work with a nonunion employee. When this is added to the fact that most workers in a bargaining unit must favor unionization before a union is declared to be their bargaining agent, it is almost a foregone conclusion that a favorable attitude on the part of most industrial employees in unionized firms toward compulsory unionism would be found to obtain. Nevertheless, various groups, including employers, have often voiced the opinion that most workers secretly object to compulsory union membership and would so indicate if given the opportunity to do so via a secret ballot. It should be evident that where this opportunity has been afforded, the vote has been overwhelmingly favorable toward formal union security clauses in the labor agreement.

Attitude of the General Public. While it is next to impossible to pinpoint the attitude of a group as vague as the "general public," some observations will be made in this connection. Obviously, two large segments of the general public have already been accounted for in the discussions of attitudes of employers and employees toward union security. Another large segment of the society in general consists of a group which neither knows nor cares about the concept of union security. Whatever is left of the general public after these deductions are made would probably be found to be divided in their opinions concerning union security devices. Generally speaking, the attitudes of such persons would be influenced as follows. If the individual favors collective bar-

¹⁸ See Chester A. Morgan, "The Union Shop Deauthorization Poll," *Industrial and Labor Relations Review*, October, 1958, pp. 79-85.

gaining as a desirable institution, and if he believes that unions cannot exist without formal security guarantees, he is likely to favor union security arrangements. If, on the other hand, the individual is opposed to collective bargaining as an institution, or if he feels that unions can exist and flourish without any contractual insurance of security, then, in either case, he will usually disapprove of union security devices. It is highly debatable which of these groups among the general public is the larger.

Pro and Con Arguments

Among and within the groups whose attitudes have been discussed above, the argument for and against union security has raged for decades. Much of the argument has been pitched on a highly emotional level, thus contributing little or nothing to better understanding of the question at hand. The arguments which have been most frequently advanced will be touched upon here only briefly.

Negative Arguments. Some have argued that the closed and union shops are the extreme counterpart of the yellow-dog contract and hence violate equally as much the rights of individual employees. It has also been contended that the use of union security devices makes the union too powerful an influence in the firm and thus too great a deterrent to the efficient operation of the firm by management. The union so protected, it has been alleged, will utilize its power advantage to insist upon unreasonable "featherbedding" arrangements as well as an excessively slow work pace. Under the closed or union shop, it has been argued, workers are forced to join an organization which they may dislike for various reasons, including, possibly, a corrupt or ruthless leadership. Compulsory unionism has been charged with being undemocratic and hence out of line with the ideals implied by "industrial democracy." Some opponents of union security measures, including a minority within unions, contend that a union made too secure becomes automatically a weak union, in that it no longer has to convince workers of its worth to them. Finally, it has been frequently asserted that if a union is strong enough to secure a closed or union shop clause via collective bargaining, it probably does not need this assurance of institutional security. On the other hand, weak unions which really need a guarantee of security are unable to achieve it through bargaining because of lack of bargaining strength. In this same connection, it is sometimes argued that while unionism in its infancy may need some guarantee of security, once it has matured to the degree unionism has matured in this country, it no longer needs the crutch offered by formal union security arrangements.

Positive Arguments. In favor of union security the argument has often been advanced that workers who benefit from collective bargaining

should be made to pay the cost thereof.¹⁹ It is often contended that if a union within a given firm is securely ensconced, this will reduce costly interunion rivalry which affects unfavorably the firm as well as the incumbent union. Some have adhered to the view that in a nation where employers are as antiunion in attitude as they seem to have been in this country, unionism can only be secure through formal provisions therefor. One of the most common arguments in favor of union security devices is that which maintains that a union can only act responsibly and constructively if it is granted a high degree of security. Otherwise, it is maintained, the insecure union must frequently make outrageous demands simply to convince employees in a spectacular fashion that it is battling all the time in their interests.

On occasion it has been asserted that a given plant or firm will experience more harmonious labor relations if all its employees are union members than it can possibly enjoy if a significant minority are allowed to remain nonunion employees. It is sometimes argued that the closed or union shop is democratic in nature, since a majority of the employees in question must favor unionization in the first place before an employer needs to recognize the union. Consequently, if the majority want unionization and object to working alongside nonunion workers, honoring their desires would be a more democratic procedure than would be the case if the desires of the minority were to be given precedence. Finally, proponents of union security have noted that the principal arguments against union security have been advanced by employers—not by employees—and that the employers in question are much more concerned about possible threats to their prestige from unionism than they are about the rights of individual workers, of which they frequently speak.

As noted earlier, the arguments for and against formal union security arrangements have often been highly emotional on both sides. Any attempt to evaluate the net worth of the respective positions would involve a maximum amount of value judgment in the process. The fact remains, however, that the issue is still a very pressing one in the economy; nevertheless, it appears to be one which has been resolved in the direction of increasing numbers of labor agreements incorporating some formal expression of union security. Whether this trend will continue into the long-run future is still a moot question.

That the concept of union security is at present quite firmly entrenched seems to be indicated by the experience of some states with

¹⁹ It should be noted here that under federal labor relations law, the union which is certified as the bargaining agent for a group of workers must represent all workers in the bargaining unit, whether they are actually union members or not. For a recent discussion along these lines, see Allan G. Pulsipher, "The Union Shop: A Legitimate Form of Coercion in a Free-Market Economy," *Industrial and Labor Relations Review*, July, 1966, pp. 529–32.

laws theoretically prohibiting the use of union security devices. Thus, the experience in Texas from 1947 to 1959 would appear to be a case in point.²⁰ In this instance, Professor Meyers, after an exhaustive study of the application of the Texas "right to work" law, found the following conclusions to be apparent:

1. The law has neither assured freedom from compulsory unionism to the individual nor has it broken labor unions; hence, the anticipations of both proponents and opponents of the law have not materialized.
2. The closed shop is still to be found in areas where it has had a long tradition, despite federal and state bans.
3. The impact of the law on the growth of unions is estimated to be at a minimum, since workers are still subjected to various pressures to join with their fellows.
4. There is some evidence that the law may have caused an increase in the number of grievances lodged, since unions must show workers they are working very aggressively for them.
5. There is the possibility that "right to work" laws are in reality a symbolic issue, with the political power and/or public support of management vis-à-vis that of labor unions as the principal prize.

The claims of each side as to what will happen if such a bill is enacted seem to have borne little resemblance in Texas, at least, to what actually did happen after the bill was legislated.

SUMMARY

This chapter has been concerned with the problems of institutional insecurity which inevitably accompany the evolutionary development of collective bargaining as a form of industrial government in an economy such as the United States. On the one hand, the owner/manager feels insecure as he notes the inroads made by unions via collective bargaining on managerial prerogatives. This insecurity leads the owner/manager to fear that it may become impossible to operate the firm efficiently and profitably or even, perhaps, for the firm to survive. Consequently, attempts have been made to shore up managerial prerogatives by way of management-rights clauses in the labor agreement, by increasing managerial resistance to union demands, and by the contemplation of possible legislative measures to limit union bargaining rights. To date, however, in this economy the area remains highly fluid in nature, with speculation running rife as to what the implications for future managerial security may be.

²⁰ See Frederic Meyers, *Right to Work in Practice* (New York: Fund for the Republic, 1959).

On the other hand, the labor union as an institution has also felt insecure because of threats posed by antiunion employers, apathetic workers, peculiar employment conditions in given industries, and rival unionism. There is some evidence that union insecurity has been more prevalent in this country than in most other major industrial nations. The result has been an evolutionary development of many formal union security devices by unions in this country, with said devices appearing in the vast majority of labor agreements and apparently still on the increase, despite intense opposition from many employers and some employees.

Thus, after almost two centuries of collective bargaining, it is evident that both the owner/management and the labor union still experience feelings of institutional insecurity. The degree of insecurity felt, to be sure, varies greatly, from a feeling of almost complete security on the part of some unions and owner/managers to a feeling of intense insecurity on the part of other unions and owner/managers. Whether the two institutions generally can move toward a position of a high degree of mutual security, attained to date by only a minority, without an increasing amount of governmental intervention, still remains to be seen. In any event, some rather grave economic and political implications for the economy may very well hang in the balance, implications which may hold great portent for the conduct of the nation's labor markets in the future as well as for the direction and application of the nation's human resources.

DISCUSSION QUESTIONS

1. Why do you think managerial prerogatives have not remained as they were at the outset of industrialization?
2. What are some possible economic advantages of industrial *autocracy* over industrial democracy? Note some disadvantages. Which appear to predominate in your thinking?
3. Comment on some of the implications flowing from the separation of ownership and management with the coming of the corporation.
4. Discuss pro and con the theory that workers have intangible property rights in their jobs.
5. Analyze the justifications presented for bilateral industrial government. In your opinion, are they as valid as the alleged justifications for unilateral industrial government? Why?
6. Where and how would you draw a line between managerial prerogatives and union bargaining rights?
7. How much protection can be extended by the economy to the human aspects and goals of labor without endangering economic goals of the firm and/or of the total economy?

8. What are some factors or forces which could cause the long-run trend in the scope of managerial prerogatives and union bargaining rights to reverse itself? Do you think this likely?
9. Can industry (large scale) be operated within a private enterprise economy without a "free" labor movement? Why, or why not?
10. Why are employees in this nation seemingly less enthusiastic about organization than those of other nations?
11. Do you think all states will eventually enact "right to work" laws? Why, or why not? Should this be a state or federal sphere of legislative activity?
12. Comment on the economic implications of (a) the closed shop and (b) the closed shop combined with a closed union.
13. Why do you think such a large majority of workers voted for the union shop between 1947 and 1951 under federal law?
14. Comment on the union shop as related to the principles of democracy.
15. In your opinion, why have workers not used more frequently the union shop deauthorization poll which is still in effect?

SELECTED READINGS

- BAKKE, E. W.; KERR, C.; and ANROD, C. W. *Unions, Management, and the Public*, especially Sections 5-6. 3d ed. New York: Harcourt, Brace & Co., Inc., 1967.
- CHAMBERLAIN, NEIL W. "Organized Labor and Management Control," *Annals of American Academy of Political and Social Sciences*, March, 1959, pp. 152-60.
- . *The Union Challenge to Management Control*. New York: Harper & Bros., 1948.
- CHANDLER, MARGARET K. *Management Rights and Union Interests*. New York: McGraw-Hill Book Company, 1964.
- MCCARTHY, W. E. J. *The Closed Shop in Britain*. Berkeley and Los Angeles, California: University of California Press, 1964.
- MEYERS, FREDERIC. *Right to Work in Practice*. New York: Fund for the Republic, 1959.
- MORGAN, CHESTER A. "The Union Shop Deauthorization Poll," *Industrial and Labor Relations Review*, October, 1958, pp. 79-85.
- PULSIPHER, ALLAN G. "The Union Shop: A Legitimate Form of Coercion in a Free-Market Economy," *Industrial and Labor Relations Review*, July, 1966, pp. 529-32.
- TONER, JAMES L. *The Closed Shop*. Washington, D.C.: American Council of Public Affairs, 1932.
- "Union Security Provisions in Major Union Contracts," *Monthly Labor Review*, December, 1959, pp. 1348-56.

PART IV

Political and Legislative Outgrowths

The discussion in Part IV centers around the seemingly inevitable political and legislative undertakings which labor and management organizations turn to in the industrial economy. Thus, Chapter 17 shows the political activities of labor unions and management associations as they involve attempts on the part of each group to stimulate voting by their members as well as to direct that voting toward an election of their respective "friends." Lobbying activities of the two groups in attempting to influence the type of labor legislation enacted are also dealt with in this chapter. All of these activities, as well as public relational activities of the two groups, are herein classed as external activities, since they take the groups outside the labor/management family per se.

Chapters 18 and 19 trace the evolution of labor relations law and also of substantive labor law, an evolution which seems inevitable in the democratic free enterprise society once the two groups cease confining their activities to bargaining on the economic front. Here, too, it is noted that the political and legislative activities of the two groups are motivated largely by their respective interests in and philosophies concerning the problems and insecurities of the labor market introduced by industrialization.

EXTERNAL ACTIVITIES OF BARGAINING AGENTS: POLITICAL, LEGISLATIVE, RELATIONAL

While the bargaining agents in the area of labor relations have been mainly concerned since their inception with *internal* activities related to collective bargaining, increasing importance has been accorded to what are here called *external* activities. External activities, as the term is used here, are those carried on by labor unions, employers, and employers' associations outside the labor/management family proper. Such activities are engaged in by the groups in question in the larger realms of politics, legislation, and public relations, where varying segments of the general public are made aware of and induced to react in a given manner toward the respective institutions—labor unions, employers, and employers' associations.

Immediate motivations for the extension of institutional activities beyond the labor/management family are many and varied. Included have been the desire to maximize bargaining strength, the alleged necessity for public protection, the wish to be accepted by the society as respectable and permanent institutions, the ambition to retard or even punish the opposite party, and the utilization of public opinion to influence a given negotiation toward a settlement favorable to the party in question.

Whatever the short-run motivating factors may have been which impelled given institutions to expand their external activities on occasion, such expansion has occurred, and especially within the period since World War I. Evidence of this expansion is amply provided by the size of expenditures on the part of bargaining agents relative to external activities, as well as in the amount of manpower diverted to such activities by the bargaining agents. Impressive though this expansion has been, relatively little has been done in the way of academic study

thereof; hence, there is a paucity of informed scholarly writings in this area.

Despite the scarcity of data, an attempt will be made in this chapter to view external activities of the bargaining agents, and especially those of labor organizations, in their totality. This is done because the external activities of the bargaining agents may well have farther-reaching implications for labor relations in particular and for the society in general than the older and narrower internal activities with which students are most familiar. The discussion within this chapter will be centered around the following topics: political activities, legislative activities, and public relational activities of unions, employers, and employers' associations. The final portion of the chapter will take note of the basic objectives toward which external activities of the bargaining agents are directed, while subsequent chapters will discuss some of the outgrowths—especially in the area of labor law—which have resulted from external activities of bargaining agents.

POLITICAL ACTIVITIES

The political activities of the bargaining agents are those associated with the attempt to elect, at federal, state, and local governmental levels, political candidates adjudged favorable toward a particular group's political aims and to defeat political candidates who are considered to be unfriendly toward the group's political aims.

Political Activities of Unions

Reasons for Political Activities. Labor unions have engaged in political activities to an increasing degree, in part, because of the early recognition that the attitudes and policies of governmental units can prohibit, hinder, protect, or encourage collective bargaining, as the case may be. This realization came through the bitter experience of early labor unions, which found most of their actions and even their very existence challenged by court decisions and, later, by legislative enactments at various governmental levels. It is not surprising, therefore, that labor unions would determine eventually to try to enlist the support and protection of governmental agencies, in order to remove what they considered to be antagonistic attitudes toward labor organizations on the part of government. The negative attitudes of government toward labor organization often took the concrete form in early stages of every industrial economy of the police power being arrayed behind the employer in the breaking of strikes, often regardless of their merits.

A second reason for labor unions' political activity, which appeared

much later than that noted above, was the realization that some of labor's goals could only be achieved with the aid of the state. Such objectives as comprehensive workmen's compensation programs, unemployment compensation systems, and retirement benefits, to mention only a few, eventually proved incapable of attainment through collective bargaining at the level of the single firm. Thus, after many abortive attempts to realize these objectives by other means, labor unions eventually turned toward increased political activity as the superior avenue through which workers' economic security could be achieved.

Emulation of other groups may have constituted a third reason for labor unions' increasing emphasis on political activity. It was no secret, even in the supposed heyday of *laissez-faire* in the first half of the 19th century, that business interests were securing protection from government in various ways, including the enactment of protective tariff legislation, contract labor laws, and the like. With this activity on the part of business interests as a model, farm and labor groups alike might have been influenced toward some political activity on their own, in part because of the desire to emulate other interests apparently profiting by such activity.

Finally, there is an explanation which has been advanced in recent years to the effect that the conflict area between labor and management has shifted—partially, at least—from the plant gates to the political arena. Hence, in place of the bloody physical altercations of earlier decades, there has developed a more sophisticated, yet just as serious, battle for political influence and control. This may be due to the ever-increasing role played by the state in various aspects of the economy, which has brought with it the recognition by numerous interest groups of the need for a prominent position in the political maneuverings within the nation's capitals. As a result, the major political parties and their candidates for office face periodically the unenviable task of drafting platforms which will attract as many interest groups as possible while repelling as few of the same as possible. In turn, the interest groups try to influence the major parties and the outcome of elections in so far as they can.

Historical Note. While political activity on the part of labor unions has become increasingly intense and aggressive during this century, it would be a mistake to conclude that it had its origin in this century. As noted in an earlier chapter, labor groups assumed quite an active political role as early as the latter 1820's, when the workingmen's parties began to appear. It is significant that this first venture into the political arena came soon after reversals had been experienced by early labor unions in the nation's courts. It is also probable that many of the objectives of the workingmen's parties were items which labor unions had decided could

not be secured through collective bargaining. Items such as free public education, mechanic's lien laws, and the popular election of United States senators were certainly of this variety.

Other sporadic attempts to become a political influence in the nation were made by various labor organizations in the half century following the demise of the workingmen's parties, but these were largely of short duration and relatively impotent. It remained for the American Federation of Labor to become the first labor entity to wield major political influence, as was evident in its support of Woodrow Wilson's successful candidacy in 1912 and its backing of Senator Robert La Follette's unsuccessful candidacy on the Independent ticket in 1924. As a matter of fact, the political activities of the AFL were greatly stimulated in 1906, when it received no satisfaction from Congress relative to the "Bill of Grievances" which the organization had presented to Congress in that year. Among other things, this bill protested the failure of Congress to enact an 8-hour-day law, the abuse of the injunction in labor disputes, and the alleged perversion of antitrust laws. As a result of its rebuff by Congress, the AFL campaigned vigorously in the elections of 1906, 1908, and 1910 before publicly supporting Woodrow Wilson in 1912.

Complex and intensive political action of the present-day variety was not inaugurated by labor groups until the 1930's. During that decade a combination of events led labor organizations into most aggressive political activity, which has not shown signs of abatement to date. Among the events which gave rise to this modern development were the problems faced by labor as a result of widespread and severe unemployment, the growth in union membership occasioned partly by the rivalry engendered by the AFL split into two labor camps, and the observation of favorable effects for unions and collective bargaining stemming from liberal New Deal labor legislation. It should probably be noted also, in passing, that the rather successful antiunion activities sponsored by employers and their associations during the 1920's may have contributed to labor's desire to step up its political activities as a means of countering the influence of unfriendly employers.

The 1936 presidential campaign produced the first massive financial aid from labor organizations toward the election of a given candidate. In that year the dominant labor groups, and especially those within the newly formed CIO, invested over \$760,000 in President Franklin D. Roosevelt's successful second campaign. By the time the fourth-term attempt was made by President Roosevelt in 1944, organized labor's contribution had passed the \$1.5 million mark.¹ Both the AFL and the CIO publicly supported the candidacy of Harry Truman in 1948 and that

¹ See "Union Political Activity Spans 230 Years of U.S. History," *The American Federationist*, May, 1960, pp. 6-11. See also "Union Spending on Campaign Sets a New Record," *U.S. News & World Report*, November 11, 1968, pp. 84-85.

of Adlai Stevenson in 1952, while the merged AFL-CIO announced its support of Adlai Stevenson in his second unsuccessful attempt at election in 1956. The successful candidacy of President Kennedy in 1960 also received AFL-CIO support as did that of President Lyndon B. Johnson in 1964. In 1968, the AFL-CIO officially supported the candidacy of Hubert Humphrey. Although President Nixon won this election, neither Nixon nor Humphrey had a majority of the popular votes due to George Wallace's candidacy on an independent ticket, a candidacy which drew some support from organized labor's ranks.

During the 1956 campaign, unions and union officials contributed a total of almost \$1.1 million to the major political parties, with the lion's share going to the Democratic Party.² In addition, labor unions spent about \$940,000 directly in political action. Thus, almost \$2 million was allocated by unions and union officials to the general category of political activity. During the fiscal year 1958-59, the AFL-CIO's Legislative Department and its Committee on Political Education spent approximately \$1.1 million in an attempt to prevent passage of state laws which would have banned union security devices and to try to block the passage by Congress of the Landrum-Griffin Act. The effort was in vain in so far as the latter objective was concerned, although there is the possibility that the law might have been more severe in the absence of union pressures. In the states, however, the political action was successful in blocking passage of the laws noted. The 1968 campaigns saw labor organizations spending a record amount to elect their "friends" with a total of more than \$4 million dollars being spent altogether.

Political Action Agencies. Formalization of the political activities of labor organizations has accompanied their development. In 1936, the unions making up the newly created CIO formed Labor's Non-Partisan League, which worked to direct the labor vote toward Franklin D. Roosevelt on the Democratic ticket that year. Individual national unions also made contributions directly to political parties, a practice which was later prohibited by the Smith-Connally Act in 1943. After the passage of the above-mentioned act, the CIO initiated its famous Political Action Committee (PAC), which operated by receiving contributions directly from individual CIO unions to be used in getting out the labor vote and attempting to direct it. This action by the CIO and the enactment in 1947 of the Taft-Hartley Act, a law generally restrictive of and disliked by labor unions, prompted the AFL to create its Labor's League for Political Education in that year. Following the merger in 1955, the AFL-CIO combined the PAC and the LLPE to form the Committee on Political Education (COPE).

Formalized political action today is not confined to the Federation.

² *Ibid.*

Each major national union within the AFL-CIO has its own counterpart of COPE, and many of the larger local unions have set up committees for political education. Major independent unions have similar agencies for carrying on political activities. The Teamsters Union is the largest independent union deeply engaged in political activities, while the United Mine Workers and the UAW have long engaged in vigorous political activities. The miners' union was responsible on its own for about \$500,000 of President Roosevelt's campaign funds in 1936, and was one of the first national unions to set up an agency devoted to political action during the 1930's. As will be noted in a subsequent chapter, labor unions are restricted by the Taft-Hartley Act with regard to their political contributions.

A more comprehensive type of political agency was the National Citizens Political Action Committee (NCPAC), which was created to garner as much support for President Roosevelt's reelection in 1944 as possible—support from outside as well as inside labor's ranks. This organization, in 1947, with other groups, initiated the entity known as Progressive Citizens of America (PCA). In that year, however, the CIO ruled that its officers would henceforth refrain from giving official support to or linking their names with agencies other than their own PAC.³

Specific Political Activities. Political action within organized labor's ranks takes many and varied forms. One of the first types of political action during an election year is that of getting union members to register as voters. The failure of workers to register has been one of the major political action problems facing organized labor. Presumably, workers as a group have failed to register to a greater degree than most other major groups. In part, this may be due to lack of interest or understanding; while, in part, it may be due to less permanent residence on the part of workers than of most other groups. A common procedure in this connection is that of comparing local union membership lists with voter registration lists maintained by local governmental agencies to ascertain how many and which union members are not registered. This is followed by intensive pressures on nonregistered workers to register.

At all times—during election and nonelection years alike—labor unions at all levels, and largely via union publications, attempt to keep their members informed as to current political issues and organized labor's official position thereon. Additionally, union members are constantly informed of the voting records of state and federal lawmakers on issues considered crucial by the labor unions' leaders. Thus, individual officeholders who are running for reelection can be labeled by the union as either "for" or "against" labor's political platform, presumably.

³ Clyde Dankert, *Contemporary Unionism in the United States* (New York: Prentice-Hall, Inc., 1948), pp. 452–59.

Unions during an election year will also publish many special pamphlets and bulletins designed to direct the labor vote and will often add house-to-house calls within crucial voting precincts as a more personal appeal to the union member's political allegiance. Political rallies, the transportation of workers to the polls free of charge, and the discussion of political issues and candidates during union meetings and conferences are all relied upon to effectuate the political platform of organized labor.

A relatively new type of approach was tried in 1956 by the AFL-CIO Executive Council in conjunction with its Committee on Political Education. A labor platform was prepared by the Federation for consideration by the two major political parties. The platform consisted of five principal planks: (1) improvement of national defense and unification of the free world, (2) strengthening of the economy by broadening purchasing power, (3) enactment of laws guaranteeing civil rights, (4) overhauling of the Taft-Hartley Law, and (5) enactment of laws to protect employee pension and welfare funds. Apparently, the close resemblance of the ultimate Democratic platform to that suggested by the AFL-CIO was decisive in eliciting public support by the Federation for Adlai Stevenson's candidacy. It is noteworthy, however, that four prominent labor leaders within the Federation gave their official support to President Eisenhower's candidacy: Dave Beck, then president of the Teamsters; Maurice Hutcheson, head of the Carpenters; Richard Gray of the Building and Construction Trades Department within the AFL-CIO; and Harry Lundeberg, president of the seafarers' organization.

During the presidential campaign of 1964, the AFL-CIO again submitted platform proposals to the two major parties. Items covered included: unemployment and its solutions; the Civil Rights Act of 1964 and its enforcement; foreign policy and defense; general social and public needs; labor relations legislation; social security legislation, including medical care for the aged; and government and administrative reforms. Additionally, probably more than 2.5 million dollars of workers' contributions were spent to help elect friendly candidates—largely Democratic candidates. In the process, millions of leaflets were circulated among potential voters in every state.

Again in 1968, the AFL-CIO submitted platform proposals to both major parties. Included in this document were planks dealing with (1) economic issues and jobs; (2) civil rights; (3) urban crisis; (4) social and public needs; (5) labor and management; (6) foreign policy and defense; (7) social security and health; and (8) government administration. As noted on the preceding page, even the spending in 1964 was eclipsed by that of 1968.

Effectiveness of Political Action. It is debatable just how effective the political activities of organized labor have been. There is little doubt that labor's support of President Roosevelt during the 1930's was a major

factor in his victories, but whether this support was really attributable to effective political action by labor unions or, instead, to the serious unemployment which prevailed is still a moot question. There is also a possibility that labor's support of Harry Truman in 1948 may have been an important factor in his upset victory at the polls. Again, however, the passage of the restrictive Taft-Hartley Act in 1947 may have been instrumental in unifying the labor vote.

On the less favorable side of the ledger, labor's aggressive but unsuccessful attempt to defeat the late Senator Taft in the senatorial election of 1950 caused many writers to conclude that organized labor cannot "deliver the labor vote." It is also a matter of record that despite the official support of organized labor on two successive occasions, the Democratic presidential candidate, Adlai Stevenson, failed to defeat his Republican opponent, Dwight D. Eisenhower, in 1952 and 1956, respectively. On the other hand, it is of significance that in the 1956 elections, 159 of the 288 candidates for the House of Representatives supported by organized labor were elected, while 15 out of 29 senatorial candidates supported by organized labor were also elected. In the 1962 Congressional elections, 20 senatorial candidates supported by the AFL-CIO were elected while 9 were defeated. In the House elections of 1962, the Federation supported 190 winning candidates while 140 of the AFL-CIO's choice were unsuccessful.

During the 1964 Congressional election, the AFL-CIO experienced considerable success, partially due to the landslide election of President Johnson. Thus, out of 351 House candidates supported by the Federation, 234 were elected and of 31 supported for Senate posts, 25 were victorious. It may be significant to note, too, that since 1932, the Republican Party has been successful in only three presidential elections while the Democratic Party has been the winner in seven elections. Over the same period, the Democratic Party held a majority in the House on 16 occasions with the Republican Party salvaging only two. Certainly the support given the Democratic Party by organized labor in each election has been of some positive value in its successes over the past three decades when labor union membership was climbing to record-breaking heights.

The results of organized labor's political activities in 1968 were mixed, with their presidential candidate being defeated (Humphrey) but with most of the congressmen supported by labor being victorious as the Democratic Party retained a majority in both houses of Congress. Congressmen supported by the AFL-CIO numbered 350 with 203 winning their respective campaigns and 147 being defeated. There is reason to believe that George Wallace's candidacy on an independent ticket probably made inroads on organized labor's support of the Democratic Party. However, not so large a proportion of labor's votes were ultimately claimed by Wallace as had been feared. It has been alleged that organ-

ized labor normally votes about 80 percent of its support to the Democratic ticket. In 1968, this may have ranged from 45 to 60 percent, depending upon the locality involved.⁴ Wallace's views on the racial problems facing the nation may have fallen on some responsive ears among rank-and-file union members.

Observations of labor's political leanings in recent years have pointed to another bit of divisive influence. Thus, it has been noted that with his growing affluence, the typical white union member is rapidly becoming a suburbanite and that he is taking on as a result the somewhat more conservative political views of the suburban dweller. Other observers have contended this can be overdone and have insisted that organized labor's ranks would still be relatively intact in the face of a severe economic crisis regardless of the locations of workers' homes. Only time will tell the full answer to this interesting development within organized labor's ranks.

The general conclusion which presents itself in connection with a review of organized labor's political activities is that the labor vote can become quite cohesive if economic conditions are adverse enough to arouse labor to united action. Under relatively normal, prosperous conditions, characterized by high-level employment and rising wages, organized labor has apparently been much less successful in getting the labor vote registered, to the polls, and directed toward given candidates. It is true, however, that the political potentialities of organized labor or of the working class in general are impressive. So impressive is this potential political bloc that neither major political party can afford to ignore its demands. If the day should arrive when the labor organizations of the United States are convinced that neither major party can be relied upon to support labor's political planks, this nation may see another third-party venture. As of today, however, organized labor seems to remain satisfied with attempting to influence the major party platforms.

Employers and Associations

From the early years of the United States as an independent nation, employers and business groups in general have taken an interest in political action. Even during the Constitutional Convention and the subsequent ratification of the Constitution, business interests were well represented in the proceedings which established this government. As a matter of fact, for some time, employers and other propertied individuals held a definite advantage over industrial workers politically, since property qualifications for voting were maintained in some states until the

⁴ See "Unions Still Have Some Clout," *Business Week*, November 16, 1968, pp. 153-58.

decade of the 1820's. Political activities by employers grew gradually during the nineteenth century.

As in the case of labor organizations, employers and their associations have increased the tempo of their political activities since the 1930's. Many large individual corporations have departments designed to stimulate and direct the political activities of their executives and even of their rank-and-file employees. Thus, the Ford Motor Company has an Office of Civic Affairs which keeps company executives up to date on political and legislative issues. In April, 1958, the General Electric Corporation created a Government Relations Department to encourage its employees, and especially its management personnel, to take part in political activities and to speak out on political issues such as those relating to labor legislation and the like.

In addition to activities by individual companies, associations of employers also carry on political activities. Thus, the Chamber of Commerce of the United States in 1959 advised its constituents as follows regarding political action:

1. Company policy can be formed and education provided in grass-roots politics.
2. Programs can be set up to encourage registration and voting as well as the making of contributions to parties.
3. Employees should be urged to work in behalf of their parties.
4. Company policy approving political action will, in and of itself, encourage employees to become active.
5. Company letters and bulletins, which will educate employees relative to economic issues in politics, can be drafted.
6. Discussion meetings can be held for the consideration of political issues.
7. Management can schedule meetings with candidates and office-holders.
8. Attendance and voting records of candidates running for reelection should be analyzed.
9. Letters should be sent to legislators, in order to acquaint them with the firm's political stands.⁵

The political action and financial support of employers and their associations tend to go mainly to one party—the Republican Party. The size of the financial support given by company officials in recent years has been impressive. In 1956 alone, officials of the nation's 225 largest corporations contributed \$1.9 million.⁶ This amount was almost as large

⁵ Chamber of Commerce of the United States, "Businessmen in Politics," *Action Course in Practical Politics*, No. 8 (Washington, D.C., 1959).

⁶ *The American Federationist*, May, 1960, pp. 6–11.

as that expended by the entire labor movement in that year for both political action and direct party contributions, as noted earlier in this chapter.

Thus, from the examples noted above as well as from the standpoint of general observation, the business and employer interests of the nation appear to be as desirous of electing their political friends as are labor organizations. Since the techniques used are so similar to those employed by labor organizations and noted earlier in the chapter, these will not be given separate attention. Suffice it to say that virtually all of the mass-communications media are utilized by business and employer groups to swing voters to the preferred candidates, as well as other media ranging from the most direct to the very indirect and subtle media.

Effectiveness of Political Action. The success of employers' political activities, like that of similar activities by labor groups, appears to vary with economic conditions. Under conditions of full employment, rising wages, and improving working environments, business and employer interests seem to fare quite well in the election of their favorite executive and legislative candidates. Conditions such as these may have contributed to the election of President Nixon in 1968, although other factors such as Wallace's independent candidacy were surely involved as well. On the other hand, business and employer Congressional candidates did not win as expected as the Republican Party picked up only four seats in the House and five in the Senate, thus leaving control in the hands of the Democratic Party. On labor issues, however, it is important to note that most Southern Democrats in Congress tend to vote with Northern Republicans. Thus, the employer's representation in Congress on labor issues as of 1969 was stronger than appears at first glance.

Under conditions of economic stress, however, the success of employers' political activities is far from assured. Potentially, from the standpoint of sheer numbers, employers and business groups constitute a minority when compared with labor groups. Thus, if the two groups were to vote strictly on an economic class basis, there is little doubt which would win. One of the reasons that employers and business interests have been so successful in past political activities, aside from the fact that they have usually had more funds at their disposal, is the fact that the labor groups have been divided politically. There has frequently been a political dividing line between white-collar workers and so-called blue-collar workers. Then, too, within the latter group of workers, there has usually been a political dividing line between the higher paid skilled workers and the lower paid unskilled and semiskilled workers. Craft unions like the Carpenters' organization have voted conservatively more often than not. Even among the industrial unions, there has been a tendency, difficult to explain, for groups like the United Mine Workers and the Teamsters to align themselves, on balance, with the

Republican Party in many elections. It has often been the relatively *uncertain* political alliances, along with some *unexplainable* alliances, which have caused the fortunes of political warfare to swing from one group to the other and to prevent either group from being assured of continuous political control.⁷ For example, in 1964, three typically Republican unions—the Retail Clerks Union, the Carpenters Union, and the Glass Bottle Blowers Union—gave their official endorsement to Lyndon Johnson as opposed to Barry Goldwater.

Another basis for political division within labor's ranks as noted earlier is that of residence. As the more affluent union members become suburbanites, political differences may tend to develop between this group and that still unfortunate enough to live in the poorer residential areas including, of course, the ghettos.

LEGISLATIVE ACTIVITIES

Closely related to and highly dependent upon the political activities of the bargaining agents are what are here called their *legislative* activities. Legislative activities are here defined as those designed to influence legislators in the type of legislation enacted and, possibly, to influence administrative agencies in the enforcement of laws already passed. It is thus obvious that once elections are over and an accounting is made by labor or employer groups as to the success of their political activities, some conclusions will be evident concerning the likelihood for success of their legislative activities. Despite the outcome of elections, however, both of the bargaining agents engage in legislative activities in the hope of having some influence on the quality of legislation enacted, even though one or the other may have despaired of securing the passage of its favorite legislation as a result of a defeat of its favorite candidates at the polls. It is possible, too, that if the election results, while unfavorable to a given group's candidates, have been close, the victorious candidates may be so aware of the shakiness of their office as to want to make some token efforts, at least, to win some votes from the opposition. As a result, the legislative activities of even the vanquished group may be of some avail.

Analysis of Legislative Activities

Basic Goals. Labor organizations have some very definite goals or purposes behind their legislative activities. In the first place, they have

⁷ Unexplainable political alliances, as the term is used herein, refer to those alliances which are hard to explain solely on the basis of current economic interests. They might prove to be quite explainable in terms of historical issues of the past and the accident of birth in families which have given political alliances as a result of historical events or issues.

always worked for legislation which would legalize, protect, and even encourage unionism and collective bargaining, i.e., laws dealing with institutional security. This has been a prime goal of unions in this country to a greater extent than for unions of many other countries, where their existence has been less seriously threatened. Secondly, labor organizations have suggested and supported laws designed to supplement their efforts to achieve higher wages, shorter hours, and more desirable working conditions. In the third place, unions have taken a stand in the past for laws designed to strengthen the protection of so-called "weaker groups" in the labor market, such as female employees and children. Unions have also advocated, in the fourth place, the enactment of laws dealing with individual economic security—laws generally called social security laws in this nation—and those dealing with economic recovery during recession. Finally, labor unions have supported certain legislation involving the more general aspects of society, such as compulsory school attendance laws, immigration laws, and even laws dealing with international economic relationships such as tariff laws or reciprocal trade agreement laws.

Employers and their associations, on the other hand, have had quite opposite goals as to their legislative activities. Thus, they have favored laws restricting the bargaining and other activities of unions. They have also generally opposed laws dealing with wages, hours, working conditions, and employees' economic insecurities.

Reasons for Legislative Action. Many writers have speculated on the reasons for legislative activity on the part of labor organizations, when their principal medium has tended to be collective bargaining on the economic front. Among the reasons which have been mentioned has been the realization by labor groups that certain goals can be achieved *more easily* as well as more rapidly through legislation than through collective bargaining. Goals such as uniform minimum-wage rates, safety regulations, and social security programs are among those in this category. Another reason for the necessity of legislative activities on the part of labor unions is the fact that some goals can apparently be achieved *only* through legislative enactment, since collective bargaining on a firm-by-firm basis or even on an industry-by-industry basis is too limited in scope relative to the goals in question. Thus, legislation calculated to enhance the economy's ability to attain or maintain full employment would certainly be of this variety, as would legal prohibitions of child labor. Other items in this category would include laws providing for free public education, public libraries, and the eradication of poverty.

Varied reasons have caused employers to engage in legislative activities, too. Included would be the fact that they often feel a need to strengthen their bargaining position via laws aimed at restraining union activities. Legislation desired by labor groups may be feared by employer groups as potentially threatening their costs of operation; hence,

legislative activities may be aimed at preventing such legislation from being enacted. As in the case of labor groups, employer groups have often concluded either that some desired objectives can be achieved more rapidly through legislation than through collective bargaining or that they can only be realized through legislation.

Defensive reasons also may impel the bargaining parties to engage in political activities. For example, employers and their associations may be known to be working hard for legislation restricting the economic activities of labor organizations. Under such conditions, unions are virtually forced to carry on legislative activities designed to prevent the passage of the employer-sponsored legislation, if possible—or, at least, to soften the provisions thereof. Or in the same vein, assuming employers and their associations have been successful in a previous legislative session in influencing the passage of legislation restricting labor organizations, this may spur labor groups to seek the repeal of such legislation in subsequent legislative sessions. Employers and their associations may likewise engage in legislative activities of a defensive nature in order to block or soften union-sponsored legislation.

Techniques Utilized. The most common technique utilized by labor and employers' organizations in connection with legislative activities is that of lobbying. Impressive amounts of money are spent by dominant labor bodies in their lobbying programs. During 1967, for example, the AFL-CIO central office ranked third among the 280 groups reporting lobbying expenditures in accordance with the 1946 federal lobbyist-registration law.⁸

Business lobbies consistently rank first collectively with regard to the amount spent for lobbying. Thus, in 1967 all business lobbies reported an expenditure totaling about \$1.672 million. Employee and labor lobbies—consistently second to business lobbies—spent a total of \$1.175 million in 1967. Farm lobbies ranked fourth with an expenditure of over \$418,000, while Citizens' lobbies ranked third with a total outlay of over \$712,000. In all, the 280 groups reporting in 1967 spent a grand total of over \$4.7 million, with most conceivable groups of any size in the nation being represented. The amount of expenditure is not always directly related to numerical size of the group. Thus, business groups, numerically the smallest of the three major groups—business, labor, and agriculture—usually spend the most for lobbying and almost half again as much as that spent by the largest group, labor.

Within the three major groups, lobbying expenditures are not always directly related to size either. For example, in 1967 the leading spenders for lobbying among labor groups were the Union of Federal Postal

⁸ See Congressional Quarterly News Features, *Congressional Quarterly Almanac*, Vol. XXIV 1968 (Washington, D.C.).

Clerks and the National Association of Letter Carriers, neither one of which are especially large. In the business category, the 1967 leaders were the Record Industry Association of America and the U.S. Savings and Loan League, likewise not noted for enormous size. A given group may spend an unusually large amount in a given year if it has a special issue to pursue. Thus, the American Medical Association reported spending \$1.2 million in 1965 in its unsuccessful bid to block medicare. By contrast, the same group spent less than \$50,000 in 1966.

Particular techniques used by labor and employer groups in connection with lobbying are varied in nature and may include having letters or telegrams sent by a legislator's constituents urging a given action, or conferences with legislators prior to a vote in an attempt to influence them on a given issue. Whatever the approach, the objective is the same, namely, to try to convince the legislator that so many of his constituents favor a given vote on his part that it would be political suicide for him to vote otherwise. Since the aforementioned devices have been used so often as to have lost some ground in the way of effectiveness, lobbyists are always looking for new devices or approaches. Occasionally, the lobbyist may utilize a rank-and-file delegation from the legislator's district to wait upon him personally in an attempt to convince him of the allegedly high degree of feeling with respect to the issue in question. Just how effective lobbying as a whole is remains debatable. It is quite possible that with both labor and employer groups lobbying, they may tend more or less to offset each other in so far as influence is concerned. If this be true, the lobbying activities of a given group might not constitute much of a positive force; but at the same time, the group in question would not dare to discontinue its lobby, since to do so would cause it to lose political and legislative ground by default. Thus, with neither group daring to cease its lobbying, the practice not only continues in use but actually grows in volume and cost.

The legislative goals of labor and employer groups are not confined to their attempts to secure or block the passage of given legislation. In addition, once the legislation is a matter of record, each group may try to influence its administration in so far as possible. This may take the form, for example, of trying to influence presidential appointments to such administrative agencies as the National Labor Relations Board or the Wage and Hour Division. It may take other and more indirect forms, too. Labor groups have made it known within recent years that they are interested in having a man as Secretary of Labor who either comes from labor or is acceptable to labor, just as business interests have given similar indications relative to the choice of a Secretary of Commerce. A suggestion by some organized labor representatives possessing even more significant implications has been one which has appeared recurrently since World War II, namely, that labor should be represented on the

Board of Governors of the Federal Reserve System. This definitely shows a genuine interest on the part of organized labor in having something to say about the monetary climate in which they operate as a short-run determinant or codeterminant of money wages. In the favorable monetary climate, even inflationary wage gains need not mean rising unemployment.

With reference to the staffing of administrative agencies such as the National Labor Relations Board, there is no doubt that a given piece of legislation can be subjected to a relatively liberal or conservative interpretation, depending upon the composition of the administrative agency. Thus, the interpretations by the NLRB of the Wagner and Taft-Hartley acts between 1947 and 1952 were relatively liberal in nature when compared with those of the same laws by the same agency between 1953 and 1960. The difference in the overall interpretation was largely due to the fact that the Board members prior to 1953 were either Roosevelt or Truman appointees and hence somewhat liberal as to political philosophy. Gradually after 1952, the Board came to be staffed with Eisenhower appointees, who were noticeably more conservative as to political philosophy.⁹ It is probable, however, that the labor or employer groups, respectively, influence the tenor of such administrative agencies largely through their ability to influence the choice of the man (President) who appoints the members of such agencies, rather than through their ability to influence the appointments directly.

Finally, both labor and employer groups work hard to influence the appointments to vital Congressional committees. It is no secret that the fate of a desired bill and the nature of its provisions may be quite dependent upon the constituency of the committee in which it is considered. Consequently, each of the groups in question knows that lobbying for or against given legislation can be greatly augmented if legislative "friends" are placed on appropriate committees, and especially if said committees are headed by those favorable to the group in question. With regard to labor's attempts to influence appointments, it has been facetiously observed that presidents appoint labor leaders to posts in order to try to please organized labor, while labor leaders seek such appointments in order to influence the administration of labor legislation with the result usually being that both parties are disappointed.

Effectiveness of Legislative Activities. It is difficult to measure with precision the effectiveness of the legislative activities of labor and em-

⁹ By the same token, the NLRB from 1961 to 1968 had once again become somewhat more liberal as its majority reflected the political views of the Kennedy and Johnson administrations. The NLRB is noticeably more flexible than the Supreme Court, due to the limited terms of its members in contrast with the good-behavior terms of Justices.

ployer groups. Each group has certain legislative milestones (discussed in the succeeding chapter) for which it can claim considerable credit in the lawmaking process. Thus, there are numerous state and federal laws on record which are favorable toward unions and collective bargaining, and for which organized labor's representatives worked diligently and effectively. At the same time, there are numerous state and federal laws on record which are somewhat restrictive of labor organizations, for which employer interests worked successfully. The end result has been twofold in nature. In the first place, there is undoubtedly much more labor legislation in existence than would have been the case had neither group carried on the various legislative activities discussed herein. Secondly, the labor legislation which has been passed represents a degree of compromise between the extreme positions of the two parties which would not have been possible had only one of the parties been able to engage in legislative activities. Whether these end results are, on balance, more desirable from the standpoint of the economy as a whole than the alternative results would have been had both groups been prohibited from engaging in legislative activities is a difficult question to answer. In some respects the question may be purely academic, since it is hard to see how such a situation could have been compatible with a democratic system of government such as that preferred by this nation.

PUBLIC RELATIONAL ACTIVITIES

Among the institutional developments of interest in this country since 1930 have been those within the category of public relations. Virtually all major institutions, including labor organizations, corporations, and employers' associations, have engaged increasingly in public relational activities. Such activities include the sundry approaches by a given institution designed to "sell" the institution in question to the public, i.e., to create a favorable image of the institution in the thinking of the general public.

Public relational activities are probably, in part, an outgrowth of the increase in the size and the impersonal nature of institutions. Thus, it has been the *big* firm or corporation, along with the *big* national labor organization, that has been the forerunner of the trend toward public relational departments and activities. The institution, therefore, acts via public relations to convince the general public that the institution is nothing to fear and to hamstring, but one which can be trusted with the general welfare of the society to the same extent as could the small firm or the small local union.

Because of their growing importance, the public relational activities of labor and employer groups will each be discussed in turn. Some specific

reasons for the increase in public relational activities on the part of each group will be examined, along with some of the media utilized in carrying on public relational activities.

Public Relational Activities of Unions

Specific Reasons for Such Activities. One of the major reasons which may have impelled labor unions to engage in public relational activities increasingly since the 1920's was undoubtedly the public enmity toward unionism in general, which was built up partially by the antiunion employer and the antiunion employers' associations. There was little doubt in the minds of many, if not most, persons within this nation during the 1920's that labor unions were rather radical, subversive elements led by wild-eyed revolutionaries with a time bomb in one hand and the hammer and sickle in the other. This image did not develop by accident, but was partially the product of efforts on the part of antiunion employers from the early days of unionism down to the 1920's. Until the 1930's, unions had relied largely on tactics other than public relational tactics to eliminate this unfavorable image of themselves. Beginning with the 1930's and increasingly since then, labor unions have tried to retaliate positively by creating a favorable image of themselves in the public's thinking through ambitious public relational programs.

A second specific reason which has caused unions to carry on public relational programs has been the seeming need for more political and legislative action on their part, which has been discussed earlier in this chapter. Now that legislation is playing an ever-increasing role in the conduct of collective bargaining, it is important to the unions that they be regarded in a favorable light by the public. A generally favorable view of unionism by the economy will be reflected in more lenient legislation, whereas a generally unfavorable view of unionism by the economy will tend to be reflected in relatively restrictive legislation.

A third reason for the increased interest of unions in public relational programs is the growth in the scope of collective bargaining. When collective bargaining becomes area-wide or industry-wide in nature, so that its results will have implications for large segments of the public, it is then of some importance to the union to have the good will of the general public behind it. As a result, many of the labor union's public relational activities are aimed at securing this good will which, it is hoped, will cause the blessings of public opinion to be given to their labor relations demands.

A final reason for the turning of unions to public relational activities may be that of emulation. As corporations with whom the unions bargain are observed apparently benefiting from their public relational activities, this in itself may cause the union to engage in similar activities. Thus, the

situation may have become one in which the union's leadership is convinced that the union "can't afford *not* to" engage in public relational activities, if it is to hold its own with the firms on the other side of the bargaining table.

Devices and Media Utilized. The various media used by unions for carrying on public relations vary greatly. Included are such items as pamphlets, bulletins, newspaper and magazine advertisements, billboards, streetcar placards, speakers' bureaus, radio, and television. These sundry approaches are used by individual local and national unions, and by state and national federations alike. For example, in January, 1959, the AFL-CIO set up a speakers' bureau to facilitate the appearance of union spokesmen on the campuses of the nation's colleges and universities. Such spokesmen are advertised as being anxious to speak to college commencement audiences, classes, or campus organizations on the history, problems, objectives, and general position of the labor movement in this country. Some speakers in this program are technicians in their fields, while others are union officials or organizers picturing the labor movement as viewed from their vantage point. Many national unions and state federations also maintain speakers' bureaus.

Labor unions, on occasion, have taken advantage of the advertising agency's services. In July, 1948, former AFL President, the late William Green, announced that the AFL had appointed a New York advertising agency to handle its comprehensive public relations program. Many national unions had taken similar steps before 1948, including such organizations as the American Federation of Musicians, the United Mine Workers, the United Auto Workers, and the Hod Carriers.

An illustration of the pamphlet or booklet type of approach is the 56-page statement issued by the AFL-CIO in February, 1959, entitled *Policies for Economic Growth*. This booklet was a summary of the statement made by the United Auto Workers' president, Walter Reuther, before the Joint Economic Committee of Congress on behalf of the AFL-CIO's Economic Policy Committee, of which Mr. Reuther was chairman. In short, this statement argued that the best weapon against inflation is a faster rate of economic growth, a goal which could only be achieved, allegedly, by sound economic policies on the part of the central government. Needless to say, the labor movement appeared in a favorable light throughout the statement. A quite similar publication in 1964 was that of the Industrial Union Department of the AFL-CIO entitled *What Everyone Should Know About Government Spending and Full Employment*. In this publication, government in the role of an economic balance wheel via a compensatory fiscal policy was the theme. In 1967, three monographs were published by the UAW dealing with three statements by President Walter Reuther before Congressional committees. Two of these statements were made before the Joint Economic

Committee: *The Economy in 1967* and *Federal Legislation and Private Pension Plans*. The third publication dealt with his statement before the House Ways and Means Committee: *To Build Security into the Social Security Act*. All three of the publications just noted were put out in connection with the UAW's program labeled "Policies and Priorities for Progress."

For a number of years prior to the coming of television, dominant labor groups secured some good public relations via the radio medium. Emphasis has lately shifted to television. As of 1960, some 139 television stations, representing all 50 states and Puerto Rico, were showing a series of AFL-CIO films entitled *America at Work*. The series was made available to the stations by the Federation at no cost; and in addition to showing various types of workers "on the job," it had a secondary goal of creating a favorable image for the labor movement in the thinking of viewers.¹⁰

While for years the daily press coverage of labor unions and the labor movement in general was largely lukewarm or hostile in nature, in more recent years unions have become wealthy enough to be able to afford to "advertise" in the daily press in their favor. One of the most ambitious of this type of approach in recent years was the 16-page magazine-type insertion in the *New York Times* Sunday edition on May 8, 1960. Entitled *American Labor Seeks Peace and Freedom*, articles were featured by prominent national labor leaders, as well as by prominent political figures and academicians. Included in the magazine was a coupon which, if filled out and returned by the reader, would bring to him numerous pamphlets free of charge from the AFL-CIO's International Affairs Department. The program of labor in this country for a better America was said to include the following: raising and extending the minimum wage, supporting American schools, aiding depressed areas, constructing decent homes for all, guaranteeing civil rights, promoting economic growth, setting up governmental health benefits for the aged, protecting labor standards, improving unemployment compensation programs, and revising the tax system in favor of low-income families. There is little doubt as to the type of image this Sunday supplement was meant to create for organized labor. This approach was repeated in the November 17, 1963 edition of the *New York Times*. By this time, however, the pages purchased had been increased to 44 with a greater variety of subjects being included as well. Included among the subjects discussed was the problem of automation's impact on employment. While such an ambitious project in the daily press as that just noted is relatively new—and thus far, infrequently used—ever since World War II, major unions have used half-page or full-page advertisements in the daily press during

¹⁰ See *AFL-CIO News*, June 18, 1960, p. 8.

major strikes in which they attempt to enlist the support of the public and by which they hope to counter the employer's bid for the same support.¹¹ During most of the post-World War II years, organized labor has been attacked by many and sundry writers as being responsible for all or most of the postwar inflation. Consequently, part of labor's public relations during the past decade has been designed to convince the public that it has not been the villain in the plot. A good illustration of this tactic was the 108-page publication in 1958 by the United Auto Workers' Publications Department of Walter Reuther's statement before the Senate Subcommittee on Antitrust and Monopoly. The statement, as published, was entitled *Price Policy and Public Responsibility*, and pictured the UAW as fighting inflation, which, in turn, was attributed to the tactic of big business and industry known as "administered pricing." In the same year the UAW issued a 16-page booklet called *Details of the UAW's Positive and Practical Proposal to Stop Inflation*. This publication was directed ostensibly to the three major automobile companies and to the Eisenhower administration, and contained a proposal to reduce automobile prices \$100 per car as a check on inflation. Also contained in this publication was a statement of the alleged side-stepping of the proposal by the "Big Three" automobile companies, as well as a four-page summary of newspaper headlines and articles from various sections of the country praising the UAW's proposal.

Often, national unions, prior to negotiations with major firms, will publish a statement which seeks to solicit the support of the public for the forthcoming demands of the unions. As an illustration of this technique, prior to the 1960 bargaining sessions, the Communications Workers of America published a 30-page pamphlet called *The Communications Worker and the Economy*. The principal purpose of the booklet was to show an alleged lag in communications workers' wages and fringe benefits in contrast to their important role in the modern industrial economy, with the hope that the reader would conclude that the wage increase demanded later by the union was thoroughly justified.

Elaborate anniversary publications have also been used as public relational devices by national unions and state federations. Thus, the Amalgamated Meat Cutters and Butcher Workmen of America published in 1947 a 150-page illustrated book recounting items from the 50-year history of that organization. State federations have for some years published yearbooks illustrated with pictures of prominent state federation officials and containing articles relating to the year's accomplishments.

¹¹ Following the lengthy 1959-60 steel strike, the United Steelworkers also published a 64-page pamphlet entitled *The 1959 Steel Strike*, in which the union is pictured as having scored a major triumph and the employers as having lost heavily. See Pamphlet No. PR-112 (Pittsburgh, Pa., 1960).

Finally, the senatorial investigation of racketeering and corruption in a minority of labor organizations during the period 1957-59 had the effect of tainting the favorable image of labor organizations which their public relational efforts had tried to build. As a result, several unions, as well as the Federation, immediately tried to counteract this with renewed public relational efforts. The AFL-CIO gave great publicity to the work of its Ethical Codes Committee; one of the victims of the investigation, the Teamsters, spent a great deal of money for public relations to rejuvenate the image of that organization; and the United Auto Workers set up and gave much publicity to a Public Review Board which is made up of outsiders who periodically check the union's operations to make certain there is nothing amiss and to whom members can complain if they feel they are being discriminated against in any way by their leadership. The 40-page booklet which the union issued on this occasion was definitely planned to counteract the unfavorable publicity which unionism as a whole was given as a result of the Congressional investigation of a minority of unions. Perhaps with somewhat the same thrust was the address given by AFL-CIO President Meany to the 50th Anniversary of the National Industrial Conference Board in New York City in September, 1966, and later published by the Federation in pamphlet form. Entitled "Labor Looks at Capitalism," the address generally pictures the labor movement as a stabilizing influence within capitalistic America as well as a medium for grappling with employment problems as they arise. Emphasis is placed upon the peaceful settlement of 98 percent of the nation's labor agreements in contrast to the 2 percent which involve strike actions.

Effectiveness of Public Relations. It is difficult to ascertain just how effective the public relational activities of labor organizations have been. Evidently, the organizations in question consider such activities to have been quite effective, since they continue to spend an increasing amount of funds for such activities with the passage of time. While organized labor is probably still suspect in some quarters, it is fairly safe to say that it is viewed by the public in a considerably more favorable light than it was at the close of World War I. One reason for this change in the prestige of unionism could well be the ambitious public relational programs of the national unions, and of the Federation especially. In a nation in which most institutions do engage in public relational activities of one kind or another, any given institution such as a major labor union could probably ill afford to by-pass such a program.

Public Relations of Employers and Associations

Large-scale public relations on the part of the corporation and associations thereof preceded those of labor organizations. From General

Motors' initiation in 1931 of a one-man public relations department in the person of Paul Garrett, public relational activities carried on by business firms have grown so that probably three fourths of the three hundred largest corporations in the nation had public relations departments as of 1960.¹² New departments were being created at a rate of about 100 per year, with over \$2 billion spent by companies alone on public relations in 1960, a figure which may exceed \$6 billion per year in the 1970's, according to some estimates.

Reasons for Public Relations. As in the case of labor organizations, the employer and associations thereof engage in public relations for a variety of reasons. In the first place, ever since antitrust legislation in this nation emerged in 1890, big business has been made aware of the suspicion and distrust on the part of the society of large business firms and their combinations. Consequently, one of the reasons for engaging in public relations has been the desire to allay the fears of the public with respect to the large firm and, as a result, minimize the legislative restrictions which might be applied to it. Aside from the desire to create a generally favorable image for the firm, employers and their bargaining associations have engaged in public relations frequently to enlist public opinion for support of the firm's or the association's stand on given labor relations issues. At times, too, employers or their associations have utilized public relations to counteract the unfavorable light in which they have been placed by constant charges by labor unions with respect to the employers' alleged unconcern for workers as individuals and their allegedly unfair wages and working conditions.

A major reason for the increased use of public relations by employers exists, as noted in the case of the union, in the realization by employers that the conduct and outcome of collective bargaining are increasingly affected by legislation. As a result, public relations may be utilized so to condition the public that its legislative representatives will enact laws which will make collective bargaining easier from the firm's standpoint. At the same time, of course, the public relations can inadvertently attempt to create in the public's thinking a distorted and unfavorable view of unionism. Finally, the spread in the scope of collective bargaining from a plant-wide base to one of area-wide or industry-wide proportions makes bargaining results of greater concern to the public. Hence, it is not surprising to note the tempo of employers' public relational activity stepping up, in part because of this growth in the scope of bargaining.

Devices and Media Utilized. The devices and media utilized by unions in public relations need only be duplicated to construct a similar list for the employer or his association. These media, ranging from printed pamphlets to elaborate booklets, and from film slides to radio and

¹² See "Public Relations Today," *Business Week*, July 2, 1960, pp. 40-62.

television broadcasts, are used both by the individual firm and, increasingly, by the bargaining association.

One type of publication designed to create a generally favorable public opinion of the individual firm is the anniversary book or booklet. Thus, in 1951 the United States Steel Corporation published a 227-page, elaborate booklet called *Fifty-Year Story of U.S. Steel*. The book, hard-bound and filled with color and black-and-white illustrations, also contained a statistical summary of the growth of the firm financially and productionwise. Similarly, the Standard Oil Company of New York published a book in 1957 commemorating its 75th anniversary. A final illustration of this approach is the publication by the E. I. Du Pont de Nemours & Company in 1961 entitled *This Is Du Pont: The Story of Management*.

General Motors, in 1948, obviously trying to combine public and employee relations, published a 176-page booklet of winning essays written by employees of the firm on the topic *My Job and Why I Like It*. Included with each winning essay was a picture of the employee, a thumbnail sketch of his life, and an account of his award—some model of a General Motors automobile. In a similar vein the same firm in 1949 published a 36-page booklet entitled *General Motors and Its People—An American Industrial Team*. Such publications may serve to knit the work force more closely together and to the firm, as well as to fulfill the public relational goal of painting the firm as an outstanding company for which to work.

General Electric has made much use of public relations pamphlets and monographs since World War II. Of recent note were three *Relations News Letters* dealing with various aspects of industrial relations. Thus, one dated April 5, 1963, dealt with the company's reasons for opposing "compulsory unionism." Subsequent issues dated June 26, 1963, and August 13, 1963, critically analyzed governmental intervention in labor relations and were especially directed at the "wage guideposts" of the Kennedy Administration. Another Newsletter dated May 2, 1966, was entitled "The Guidepost Revisited: A Look at the 1966 Model." In this publication General Electric was on record as favoring the guidepost concept so long as it is only a guide and does not become a "control." General Electric also published reports of 1963 conferences on *The Corporation and Society* (August 2, 1963) and *Labor-Management Relations and Economic Growth: The Role of Industry* (December 5, 1963). The first of the last two items analyzed the important role of the corporation and its management within society while the latter publication emphasized management's role in labor relations as being one of resisting cost-push inflation as well as one of encouraging technological change, developing individual opportunity, and placing greater emphasis on the *human factor* in industry.

As the scope of bargaining has increased, there has been a noticeable tendency for associations of firms to carry on certain public relational activities as related to their bargaining efforts. A good example of this trend was the public relational activities of the 12 major steel firms during 1959, when bargaining succumbed to an extremely long nationwide strike in which both parties were obviously soliciting public support. Prior to the expiration of the steel contract on June 30, 1959, the Steel Companies' Coordinating Committee published a short, 11-page pamphlet called *The Steel Negotiations and You*, which was designed to picture the steel companies as warding off the inflation which would follow the granting of the union's demands. Later, in the August 31 issue of *U.S. News & World Report*, and in other periodicals, the same organization sponsored a two-page advertisement in which steelworkers were pictured as having received relatively more than the shareholders in 1959 and in which it was contended that any increase in steel wage costs would only feed the fires of inflation, from which no one would profit. Still later in the year, in September, the same organization published a ten-page pamphlet entitled *Where the Steel Companies Stand*. This pamphlet was actually an abbreviated reproduction of eight full-page advertisements which the organization had run in the nation's press between May 5 and September 1, 1959. The general nature of this series of advertisements was that of depicting the United Steelworkers as a potentially dangerous cause of inflation, while portraying the steel companies as the defenders of stable prices.

Another type of association public relations is the annual publication of the American Iron and Steel Institute, entitled *Charting Steel's Progress*. The 1969 edition contained 48 pages which featured the "modest" profit rate in steel, the pressure of rising employment costs, and the productive value of steel for the whole western hemisphere. Also included were statistics showing the low accident frequency rates in steel. In December, 1961, the Institute published an 89-page monograph entitled *The Competitive Challenge to Steel* in which the industry's ability to expand employment was pictured as being dependent upon its ability to expand sales which, in turn, was seen as requiring an improvement in the industry's worldwide competitive position. Finally, in 1967 the Institute published a pamphlet entitled "Why the American People Should Be Concerned About Steel Imports." The principal points made in this pamphlet were those of dwindling steel exports and growing steel imports, with the blame for the discrepancy being placed upon steel labor's costs in this country.

The National Association of Manufacturers is another organization of employers which has stressed public relations in recent years. In 1954, over \$2 million of the organization's budget went for the "public information" program. Since the middle of the 1930's, the Association has

published a catalogue for various groups, including high school teachers, from which may be ordered, free, for classes, booklets, periodicals, sound films, and reprints of advertisements. Throughout the pamphlets and the films the profits system is eulogized, while labor unions are pictured as monopolies "pushing people around." In July, 1950, the NAM's Economic Policy Division issued a 14-page bulletin concerning *The Economic Impact of an Industrywide Strike* and dealing with the 1949-50 lengthy coal strike. The strike was pictured as paralyzing the nation, costing the miners heavily, and having severe effects upon coal operators and related industries. The NAM's Research Department in June, 1962, published a monograph entitled *Economic Implications of Union Power* in which the economic power allegedly possessed by unions is held to be excessive while it is contended that public restraint of said power would not result in a loss of benefits to the working people of the nation.

As noted in the case of labor unions, employers also utilize public relations media to dispel unfavorable results of Congressional investigation. In 1961, as a result of Congressional investigations of certain price-rigging activities on the part of some executives of the General Electric Corporation, that firm's *Relations News Letter* dated April 27, 1961, was devoted to explaining the position of the Corporation relative to the matter at hand. Among the points made were those insisting that General Electric "has a vigorous program for avoiding any recurrence in the future." It was further asserted that "General Electric's prices are helping to fight inflation." The concluding note of the publication held that the future of the firm was being "built on great basic strengths."

In November, 1953, the Executive Committee of the Bureau of Information of the Eastern Railways published a 375-page book called *Railroad Wages and Labor Relations, 1900-1952*. The principal conclusion of this book was that while railway unions might have secured marked gains in wages throughout the period with reasonable wage demands, they had instead sought exorbitant increases in wages at the expense of the shareholders' profits.

The Economic Research Department of the Chamber of Commerce of the United States for several years ending in 1962 issued a monthly publication of four to eight pages called *Economic Intelligence*. A large proportion of this publication was often devoted to criticizing the economic stupidity of the leadership of organized labor and the undesirable economic consequences of acceding to its demands, while business leadership was usually viewed in a favorable light in so far as the economic intelligence thereof was concerned. The same organization in 1951 published a 19-page booklet entitled *Toward Worker Security*, in which management was urged to take an active role in promoting local, state, and national sound security programs, as well as to take individual action within the firm to minimize economic insecurity. This represented an

unusual type of public relations, since business opposition to social security as a concept was quite prominent and well known in prior years. Also somewhat in this vein was the Chamber's publication in 1965 of a monograph called *Unemployment: the Nature of the Challenge*, in which the organization mostly underlined views of economists which hold that both sufficient aggregate demand via monetary and fiscal policies *and* remedies to eliminate pockets of structural unemployment are essential.

In addition to the more formal public relational activities discussed in connection with both labor and employer groups, it should be noted that there are more subtle and informal approaches, which are a mixture of public relations and genuine altruism in most cases. Reference is made here to the tendency for both employer and labor groups to take active roles in such community projects as Community Chest drives, Red Cross campaigns, Infantile Paralysis March-of-Dimes fund-raising projects, and the like. While much of this activity on the part of both business and labor leaders is undoubtedly attributable to altruistic motives, it is safe to conclude that—in part, at least—both groups engage in such activities because of the favorable public relational values involved. The same may be said for other community projects, whether of a charitable nature or not, in which representatives of both groups are often found taking an active part. Certainly another example since 1967 would be the efforts of many large business firms at the invitation and encouragement of the Johnson Administration to help reduce unemployment of the hard-core unemployed—especially in the ghetto areas of urban areas.¹³ Involved here have been such firms as Ford, General Electric, and more than 1,000 firms in Los Angeles, all of which have found jobs for and trained unskilled school dropouts and even former convicts for useful work. Needless to say, the mortality rates have been high but, on the other hand, a surprising proportion have thus far proved quite satisfactory. It is almost as if each of the groups is trying to outdo the other in appearing civic-minded, patriotic, and responsible as an institution.

Effectiveness of Public Relations. As in the case of labor organizations, the effectiveness of the ambitious public relational programs of employers and their associations is almost impossible to assess. The rapidly developing trend toward greater outlays for public relations would seem to indicate that business firms and associations consider such activities as highly desirable and virtually indispensable. In so far as the swaying of public opinion during labor relations breakdowns is concerned, there have been many instances, no doubt, when the public

¹³ See "Business Takes New Role: Training 'Unemployables,'" *U.S. News & World Report*, November 13, 1967, pp. 97–98. Also, "Hiring the Unskilled," *Action Report*, Volume I, Number 1, Autumn, 1967, The Chase Manhattan Bank, N.A., N.Y.

relational efforts of employers or their associations have been of great influence. It is probable that this was true even more often before labor unions also engaged in aggressive public relational activities than it has been of late. Now that both bargaining agents are about equally committed to public relational departments and activities, much of the employers' earlier advantage has probably been lost. The net result may have been to cause the public to accept both big business firms and big labor organizations with certain reservations. During most specific labor relations disputes, however, the typical reaction of the man on the street is probably one of frustration as he tries to decide in his own mind which party's advertised claims are correct. As noted in the case of labor organizations, it may be that the situation has developed into one where the employer or the employer's association "can't afford *not to*" engage in public relational activities, since the opposite party is utilizing this medium so thoroughly. Elaborate public relational programs have simply become an integral and expected part of the big institution's pattern of behavior in the mature industrial economy, and especially in this particular economy.

SUMMARY: OBJECTIVES OF EXTERNAL ACTIVITIES

It has become apparent, as a result of the discussion in this chapter, that the bargaining agents—labor unions and employers or their associations—have gradually enlarged the scope of their external activities. This trend has become so pronounced that the external activities of the bargaining agents have begun to assume a position of importance in this country which is almost equal to that of their internal activities. The external activities of the two parties continue to be expanded in all three areas: political, legislative, and public relational.

Thus far, it has been noted in this chapter that numerous specific reasons have accounted for sundry embarkations of the two parties in all three categories of external activities. In this connection, such motivating factors as institutional security, institutional bargaining equality or advantage, emulation, and other specific items were considered. In concluding this chapter, however, it is advisable to consider the *basic* objectives which underlie the more immediate and superficial reasons usually given for carrying on external activities.

The basic objectives of external activities of the bargaining agents are the same as those which give rise to the internal activities of the two groups, as discussed in an earlier chapter. That is, they consist of the peculiar economic problems and economic insecurities found within an industrial nation and the desire to resolve them in the interest of a given group. Thus, the external activities of labor organizations and of employers or their associations are fundamentally related to the economic

problem areas and the economic insecurities discussed in the first half of this book: wages, hours, working conditions, and insecurities related to unemployment, aging, industrial accidents, and disease. The desire of each group for *institutional* security is an added basic motivation. All or nearly all the immediate specific reasons noted for the external activities of the bargaining agents are meaningless unless viewed within the context of the major labor market problems just noted.

In other words, labor organizations carry on political, legislative, and public relational activities in order to supplement and strengthen their principal internal activity of collective bargaining, which is directed at improving wages, hours, and working conditions, as well as minimizing the insecurities peculiar to employees and their institutions in an industrial economy. By the same token, employers or their associations engage in political, legislative, and public relational activities in order to supplement and strengthen their internal activities associated with collective bargaining, which, in turn, are directed at resolving the economic problems of wages, hours, working conditions, and employee and institutional insecurities in the light of the employers' interests. All of this, of course, is simply another way of saying that the sundry internal and external activities of the recognized bargaining agents came into being and continue to be carried on and expanded because of the impacts which industrialization has had and continues to have on the labor market. Admittedly, however, such activities vary from industrial nation to industrial nation, both quantitatively and qualitatively, because of environmental differences among nations—economic, political, social, and geographical.

A unified sequence of developments becomes apparent as the investigation in this book continues. Industrialization greatly changes a nation's labor markets; this, in turn, gives rise to peculiar economic problems; these peculiar problems bring about institutional developments characteristic of an industrial society; the institutions which emerge engage in certain internal and external activities, which finally bring about certain changes in the very nature of the society which spawned them. Some of these latter changes have already been noted in connection with prior discussions of collective bargaining. Others will become apparent in succeeding chapters dealing with the growth and development of this nation's labor law.

DISCUSSION QUESTIONS

1. It has been said that labor unions could not have avoided getting into political activities. Comment.
2. What reason or reasons do you think are most important in explaining the political activities of unions?

3. Why does it appear difficult for unions to "deliver the labor vote" in most elections? What possible events of the future could enhance unions' endeavors in this connection?
4. In your opinion, should labor unions be further restricted in so far as political action is concerned? Why, or why not? Are there implications here for other interest groups?
5. Why did employers make the first overtures to enlist governmental aid in labor relations in the early 1800's?
6. In view of their numerical minority, how do you account for the seeming success to date of political activities of employers and their associations? Are their successes becoming somewhat less frequent or less spectacular? Why, or why not?
7. In your opinion, what is the *net* effect of the diametrically opposed lobbying activities of labor and employers? Would you favor making all such activities illegal?
8. How effective are public relational activities of labor and management at the time of an important strike? Are people's opinions and loyalties really changed, or do they merely read and believe the "line" closest to their economic status?
9. What particular image have you acquired thus far of the typical large corporation? Of the typical large union? To what do you attribute your images?
10. Do you think the image which the average man on the street has of the corporation or of the labor union has been altered since World War I by public relational activities?
11. What possible undesirable consequences might flow from the energetic public relational activities of unions and employers' associations? Should such activities be prohibited or regulated in any way? If your answer is affirmative, how would you go about it?

SELECTED READINGS

- BARBASH, JACK. "The Structure of Union Political Action—A Trial Analytic Framework," *Labor Law Journal*, August, 1965, pp. 491–97.
- CHAMBER OF COMMERCE OF THE UNITED STATES. "Businessmen in Politics," *Action Course in Practical Politics*, No. 8. Washington, D.C., 1959.
- DANKERT, CLYDE. *Contemporary Unionism in the United States*. New York: Prentice-Hall, Inc., 1948.
- GAMBATESE, JOSEPH M. "Business and Unions in Politics: A Post-Election Appraisal," *Industrial Relations Forum*, pp. 29–41. AMA Management Report No. 54. New York: American Management Association, Inc., 1961.
- KOVARSKY, IRVING. "Unions and Federal Elections—A Social and Legal Analysis," *St. Louis University Law Journal*, Spring, 1968, pp. 358–91.
- MIERNYK, WILLIAM H. *Trade Unions in the Age of Affluence*. New York: Random House, 1962, Chapters 4 and 7.

- "Parties, Platforms, Candidates: The Why of Endorsement," *American Federationist*, September, 1960, pp. 3-9.
- "Public Relations Today," *Business Week*, July 2, 1960, pp. 40-62.
- "Union Goal for November 8: Every Member a Voter," *U.S. News & World Report*, October 10, 1960, pp. 115-18.
- "Union Political Activity Spans 230 Years of U.S. History," *American Federationist*, May, 1960.

EVOLUTION OF LABOR RELATIONS LAW IN THE UNITED STATES

The inevitable result of the increased attention on the part of the bargaining agents to political and legislative activities, as noted in the preceding chapter, has been the emergence and growth of a body of labor law. This segment of law has grown to proportions of unusual size in this economy in contrast to the experience of other industrial nations. To facilitate its analysis, labor law of this nation will be here classified as *labor relations law* and *substantive labor law*. The former will be dealt with in this chapter and consists of law outlining the rules and regulations within which the bargaining agents function and under which collective bargaining is conducted. Substantive labor law, to be considered in the succeeding chapter, consists of sundry enactments relative to the subject matter of collective bargaining, such as wages, hours, and other conditions of employment.

It is noteworthy that the growth of labor relations law was very slow and gradual in this nation until the decade of the 1930's. By contrast, the decades since 1930 have each contributed considerably to the presently large collection of federal and state labor relations enactments. This pattern of labor relations law growth is at once related to the slowness of the bargaining agents to mature in this economy and the relative tardiness of the economy to convert itself from an agricultural society to one of mature industrial characteristics.

While labor relations legislation is found at both federal and state levels, major attention will be devoted to the federal enactments. This is considered justifiable on the ground that an increasingly large majority of the nation's labor relations, as well as the parties thereto, come within federal as opposed to state jurisdiction, a fact which reflects the spread-

ing of the nation's industry beyond the confines of intrastate commerce.¹ This growth in the scope of the nation's commerce has been accompanied by a similar growth in the scope of its labor relations, as has already been noted in connection with other discussions.

FEDERAL LABOR RELATIONS LEGISLATION

The Common-Law Era, 1790–1890

During the first century under the present federal Constitution—a period which is almost identical with the first century of bonafide unionism in this nation—there was no written labor relations law as such. To fill the need for such law which became apparent as labor relations disputes occurred, the courts of the federal government relied upon certain doctrines imported from English common law. The term *common law*, as it is used here, refers to judicial precedents developed by English courts as similar cases came before them, in contrast to statutes enacted by legislative bodies. Hence, common law is often called “unwritten” law. It may be noted here in passing that the importation of English common law doctrines and their application to early labor relations cases was not achieved without considerable opposition. Thus, the more liberal Jeffersonian Democrats and the early union leaders fought bitterly against the use of such doctrines. By contrast, the more conservative Hamiltonian Federalists supported strongly the use of the doctrines in question. Since the Federalists controlled most of the nation's courts at this time, they scored a temporary victory over the Democrats and the early unions.

The first common-law doctrine to be used by a court in this nation in adjudicating a labor relations dispute was the doctrine of *criminal conspiracy*. This doctrine was utilized by English courts against labor groups as early as the fourteenth century and later became a part of English statutory law during the 16th century.² Summarized briefly, the doctrine of criminal conspiracy holds that certain acts which would be considered as lawful when committed by an individual become unlawful when committed by a group of individuals acting in concert. Thus, such a group might be considered as constituting a criminal conspiracy against the best interests of the state. For example, under this doctrine, it was considered perfectly lawful for an individual worker to approach his employer with a request for higher wages. If an organization of the

¹ Note that in most instances, federal law applies to workers employed in *interstate* commerce, while state law applies to workers in *intrastate* commerce.

² J. M. Landis and M. Manoff, *Cases on Labor Law* (Chicago: Foundation Press, Inc., 1942), p. 5.

employer's workers were to attempt the same thing and perhaps threaten to strike if the raise were not granted, the act and the group itself might be held unlawful as a criminal conspiracy. The rationale for the doctrine was that individuals acting in concert would constitute a much greater power for evil or undesirable purposes than would an individual, even though the underlying objective be the same.

Presumably, in both England and the United States, the doctrine of criminal conspiracy was applicable to employers acting in concert to reduce wages or to raise commodity prices, just as it was to labor organizations. It is of interest, however, to note that while many unions and their leaders were prosecuted under the doctrine in both nations during the 19th century, few employers were similarly prosecuted. As noted in an earlier chapter (Chapter 12), the Philadelphia shoemakers in 1806 were the first labor group to be prosecuted under this doctrine, with several other labor groups being prosecuted between 1806 and 1842, when the Supreme Court of Massachusetts, in the case of *Commonwealth v. Hunt*, dealt the first blow to the prestige of the doctrine in court cases involving labor unions.

The second English common-law doctrine to be utilized in connection with court cases concerning labor relations disputes was the *restraint of trade* doctrine, which came to be used more frequently after the 1840's as the criminal conspiracy doctrine declined in use. The basic principle embodied in the doctrine of restraint of trade was that some types of agreements or contracts are unlawful if they have the effect of restraining trade or of creating a monopoly. This doctrine was considered as being consistent with the existing dominant political philosophy of *laissez faire* and the economic concept of "free and unfettered competition" in the market.

The doctrine of restraint of trade was not focused so much upon the question of the legality of the organization per se as it was on *ends* and *means* of said organization. Thus, while a labor organization might be tolerated under this doctrine as a lawful type of association, if either its ends or its means to attain them could be proved in court (and it usually could) as having the effect of restraining trade or weakening competition in the market, then the organization would be subject to penalty imposed by the court. This doctrine, even more than that of criminal conspiracy, was applicable to business combinations as well as to labor organizations, having its origin in business law and being applied to labor at a later date. During most of the latter part of the 19th century, however, this doctrine, too, was applied to more labor organizations, relatively and absolutely, than it was to business or employer combinations. In some instances, too, the labor organization itself was held to be an unlawful entity if it was proved to the court's satisfaction that the *purpose* of its

creation was that of illegally restraining trade.³ In a sense, this involved a combination of the two common-law doctrines discussed herein.

The common-law era of labor relations law was obviously less favorable toward labor organizations than toward employers and their associations. Whether the use by early courts of the doctrines discussed above could actually be attributed to the political action of employers is doubtful; but certainly, as the doctrines were applied, most employers found in them a source of judicial protection from labor unions. This should not be thought too surprising when it is recalled that throughout most of the 19th century, the numerical size and the political influence of the labor movement were minimal. The three departments of federal and state government were much more representative of employers' interests and had much more in common with them than with the interests of organized labor.

The Antitrust Law Period, 1890–1931

For about four decades, beginning with 1890, labor relations disputes which came to court were brought under the antitrust legislation of the federal government.⁴ Two separate, but related, enactments played a prominent role during this period, namely, the Sherman Antitrust Act of 1890 and the Clayton Antitrust Act of 1914.

The Sherman Antitrust Act. This act, legislated in 1890 after Congressional investigations of the status of competition in business and industry, especially as affected by the form of business combination known as the trust, was in reality a statutory affirmation of the restraint of trade doctrine. Thus, the Sherman Antitrust Act makes illegal "every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations. . . ."⁵ While the language of this enactment appeared to be directed at business combinations or conspiracies, within a short time after its passage the courts held that labor combinations had also been intended by Congress to fall within the meaning of the term *illegal combinations*.

The first case in which the Sherman Antitrust Act was held applicable to labor organizations came to court in 1893 and involved a governor's

³ Prentice-Hall, Inc., *Prentice-Hall Labor Course* (Englewood Cliffs, N.J., 1958), p. 1018.

⁴ While this is true for labor relations in general, it should be noted that a series of laws covering railway labor relations were enacted in this period. They were the Arbitration Act of 1888, the Erdman Act of 1898, the Newlands Act of 1913, the Esch-Cummins Act of 1920, and the Railway Labor Act of 1926 plus its amendments of 1934 and 1936.

⁵ Sherman Antitrust Act, Section 1.

application for an injunction.⁶ The bill of complaint, which was filed by the United States under the Sherman Antitrust Act, stated that there existed a combination of members of several separate organizations for the purpose of restraining commerce among the states and foreign nations. In this case a disagreement had arisen between warehousemen and their employees, as well as between draymen and their employees. A strike was threatened by the union, which also threatened and actually perpetrated acts of violence. The core of the union's defense in court was that the Sherman Antitrust Act was not applicable to such a case. The Court, however, ruled that Congressional debates on the Sherman bill displayed a clear intent by Congress to illegalize *any* contract or combination seeking to restrain trade, whether the contract or combination were of capital or labor origin. As a result, the injunction sought by the governor of the state was granted.⁷

The second case in which the Sherman Antitrust Act was applied to a labor combination has been known as the Danbury Hatters case.⁸ This case featured an ambitious nationwide campaign on the part of the Brotherhood of United Hatters of America to attain universal recognition in an industry where most of the firms already recognized it and, ultimately, to establish a closed shop. The principal device used by the organization was the secondary boycott, in which the union influenced dealers of merchandise produced by Loewe and Company of Danbury, Connecticut, not to stock or sell said merchandise. In 1903, the Company sued for damages under the Sherman Antitrust Act (Section 7), but the complaint was dismissed in 1906. Loewe and Company thereupon took the case to the United States Supreme Court, which, on February 3, 1908, handed down its decision. The Court was of the unanimous opinion that (1) the labor combination in question was an illegal one within the meaning of the Sherman Antitrust Act, (2) the secondary boycott constituted an illegal interference with interstate commerce, and (3) suits for damage could be brought against union members as well as against the union itself. The case was then sent back to the District Court, which proceeded to assess damages against the union totaling \$74,000. Since the Sherman Antitrust Act provides that damages once settled upon should be trebled, the total judgment, including costs, amounted to \$232,000, an amount which the union's treasury did not possess. After a couple of appeals, the final amount of the judgment was set in 1915 at \$234,000. Rather than see union members' homes and savings confiscated to satisfy the judgment, the American Federation of Labor contributed \$216,000

⁶ *U.S. v. Workingmen's Amalgamated Council of New Orleans* (ED La. 1893) 54 F. 994.

⁷ *Prentice-Hall Labor Course*, pp. 1019-20.

⁸ *Loewe v. Lawlor* (1908) 208 U.S. 274; *Lawlor v. Loewe* (1915) 28 S. Ct. 301.

toward the final settlement.⁹ Despite this action by the Federation, however, the Danbury Hatters case dealt somewhat of a blow to unionism, in that it established the principle that individual union members could be held accountable to the extent of their assets for acts of their organization, its leaders, or even its other members. It should be noted here that while the passage of the Sherman Antitrust Act was certainly not attributable to the political or legislative activities of employers or their associations, certainly its application to labor organizations by the courts was highly favorable to employers and their associations as they sought to curb the growing power of labor organizations.

The Clayton Antitrust Act. In 1914, Congress passed the Clayton Antitrust Act which, in part, was aimed at plugging some of the loopholes which had been discovered in the Sherman Antitrust Act. On the other hand, the new law was designed to afford some relief to labor organizations from the Sherman Antitrust Act as interpreted by the courts. The provisions in the Clayton Antitrust Act which were thought favorable to organized labor represented an act of gratitude by the Woodrow Wilson administration for the support given the Democratic ticket by the AFL in the election of 1912. Thus, in a sense, the liberal provisions in the Clayton Act might be thought of as the first major result of organized labor's intensification of its political and legislative activities in this century. That the AFL viewed the law in this light is indicated by President Samuel Gompers' characterization of the law as "labor's Magna Charta."

Among the provisions of the Clayton Antitrust Act which appeared to afford some relief to organized labor was Section 6, which said, in effect, that the labor of a human being is not a commodity or article of commerce. Additionally, this section provided that labor, agricultural, or horticultural organizations, per se, are not to be construed as illegal combinations in restraint of trade so long as they exist for the mutual help and benefit of members and not for the purpose of making profits. Several sections were included in the law to minimize and regulate the use of the court injunction in labor disputes.¹⁰ These sections provided that no preliminary injunction could be issued without notice to the opposite party; temporary restraining orders were to expire within ten days unless set down for a hearing within that period of time; no restraining order could be issued unless security be given by the appli-

⁹ *Prentice-Hall Labor Course*, pp. 1020-21. This action was financed by asking AFL members to contribute to the Hatters on two special "Hatters Days" whereby most of the money was raised. A modern (1969) counterpart of this move occurred when the AFL-CIO paid the \$220,000 fine levied against the United Federation of Teachers of New York City in 1968 for striking the City's schools in defiance of the Taylor Law of the state during the fall of 1968. The Union's president was also imprisoned in this case for 15 days.

¹⁰ See Sections 17-20 especially.

cant; the blanket injunction was prohibited with the requirement that all injunctions be specific and detailed as to reasons for issuance and the like; and no injunction was to be issued in a labor dispute unless irreparable damage was threatened to property or to a property right for which there was no adequate remedy at law.

In explanation of the foregoing provisions, a word about the court injunction is in order. Under English common law the injunction emerged to afford relief to persons whose civil or property rights were being jeopardized by some other party. In this sense, if an individual's house were being damaged by a neighbor bent upon defacing it, the owner of the house could secure a court order (injunction) directing the accused party to cease his defacing actions. If the accused individual thereafter persisted in defacing the house, he would be held guilty of contempt of court and could be fined and/or imprisoned as the judgment of the court saw fit. Thus, the house owner's property right was protected by this use of the injunction. As the injunction came to be used in connection with labor disputes, however, it was more often misused than used as originally intended. That is, the employer was often able to secure injunctions to prevent workers from engaging in most organizational activities, even though the employer was perfectly free to engage in similar activities on his own. To continue the illustration above, if the house owner decided he did not like Rotarians and sought by way of an injunction to deprive his neighbor of the right to join a Rotary Club, the injunction, if granted, would then have been misused. That is, it was not being used to protect the householder's property or civil rights but rather to take away from the neighbor rights which the householder himself probably valued highly.

Other abuses of the injunction consisted of (1) the issuance of blanket injunctions with no specific names of offenders on them and with no specific reasons for their issuance, and (2) the issuance of restraining orders without a hearing, thus denying the accused the right to testify in his own behalf or to produce witnesses for his case. Finally, when the injunction case would come to trial, months might have passed, with the issue long since decided. Sometimes, it might actually be years before the case would be finally disposed of by the Supreme Court. For example, the Duplex Printing Press case, discussed below, was in the courts for nearly 10 years. Even before the Clayton Antitrust Act was legislated, President Theodore Roosevelt and others spoke out against the misuse of the injunction in labor disputes.¹¹ The Clayton Antitrust Act did not seek to eliminate the injunction in labor disputes; but it did definitely seek to

¹¹ From the 1880's until mid-year 1930, it has been conservatively estimated that at least 1,850 injunctions were issued in labor disputes, with over 900 of them being issued during the 1920's. See Glenn W. Miller, *American Labor and the Government* (New York: Prentice-Hall, Inc., 1948), p. 110.

restore it to the use originally intended for it in English common law and, at the same time, to afford some protection for the rights of accused individuals or groups.

Labor's elation over the Clayton Act's apparent protection from what had been termed by unions "government by injunction" proved to be somewhat premature. As it turned out, the Supreme Court's interpretation of the provisions noted above actually left organized labor in a worse position than it had occupied under the Sherman Antitrust Act. In a key case, that of *Duplex Printing Press Company v. Deering*,¹² the Supreme Court decided in 1921 that the limitations placed by the law upon the use of the injunction in labor disputes were applicable only in cases where the disputing parties stood in the relationship of employer and employee toward each other. Thus, the Court obviously chose a very narrow definition of the term *labor dispute* and thereby ruled out most disputes in the area, since these would tend to occur between an employer and a union, whose officers would often not be employees of the firm, especially when the union involved was a national union. As a result, in most labor relations disputes the employer could continue to secure injunctions prohibiting most organizational activities of his employees. The prime reason labor organizations were left in worse condition than they had been in under the Sherman Antitrust Act, however, was the provision in the Clayton Act (Section 16) which made the "private" injunction legal. Under the Sherman Antitrust Act, the employer wanting an injunction had to convince a federal district attorney that he should seek one for the employer in a federal court. Under the terms of the Clayton Antitrust Act, the employer himself could approach the court for an injunction. As a result, injunctions against labor organizations were easier for the employer to obtain after the Duplex Printing Press decision than they had been under the Sherman Antitrust Act. This was especially true in company towns, where the judge might owe his office to the influence of the employer.

In addition to the narrow definition of the term *labor dispute* by the Supreme Court in the Duplex case, it also ruled that (1) the employer's business constitutes a property right which can be protected by an injunction; (2) the Clayton Antitrust Law (Section 20) was not intended by Congress as a legalization of the secondary boycott; and (3) a labor organization *becomes* an illegal combination in restraint of trade whenever it departs from its lawful objects or acts. In the Duplex dispute the union in question had been secondarily boycotting the Duplex Printing Press Company in an attempt to secure recognition and certain other concessions.

A second key case to arise under the Clayton Antitrust Act was the

¹² 254 U.S. 443; 41 S. Ct. 172.

Coronado Coal Company case, which was finally decided in 1925 by the Supreme Court, even though the initial suit occurred in 1914.¹³ The principal item of interest in this case for the discussion at hand was the Court's ruling that a union might be sued even though it was an unincorporated entity. It will be recalled that the Danbury Hatters case had established the principle that individual union members could be sued for damages attributed to the union, its leaders, or its members.

Hence, it is apparent that during the so-called "antitrust law period" of labor relations law in this country, labor unions were still at a disadvantage relative to employers and their associations, legislatively speaking. It is noteworthy, however, that after 1914, this was true not so much because of actual legislative provisions, but as a result of unfavorable Supreme Court decisions. Beginning in 1937, court decisions took on a more liberal appearance as the complexion and membership of the Supreme Court and other federal courts changed to those of a more liberal political shade during the New Deal administrations. Thus, in the *Apex Hosiery* case, the Court ruled in 1940 that the Sherman Act applied to labor unions only in so far as the common law had applied to them, i.e., whenever they were guilty of seeking to restrain trade as a primary end and not merely as an indirect result from the primary intent to advance the union's own cause.¹⁴ Again, in 1941, the Court handed down a decision in connection with the *Hutcheson* case which held that a peaceful strike and a secondary boycott conducted by the Carpenters were not illegal activities on the part of the union under the Sherman and Clayton acts, even though some of those taking part in the strike and the boycott were not employees of the firm in question.¹⁵

The more liberal decisions noted above were not only a reflection of changing personnel within the judiciary but also of changing provisions in labor relations law. The antitrust law period came to an end for labor in general in 1931, with the following year marking the beginning of the next phase in the development of the nation's labor relations law, a phase which continues to unfold in the present.

Bonafide Labor Relations Law, 1932 On

After a century of bringing labor disputes under English common-law doctrines and four decades of antitrust law application to labor disputes, the federal government finally began enacting labor relations law, as such, in 1932. The enactments which have ensued are much more directly attributable to the political and legislative activities of mature

¹³ *Coronado Coal Company v. United Mine Workers* (1925) 268 U.S. 295; 45 S. Ct. 551.

¹⁴ *Apex Hosiery Company v. Leader* (1940) 310 U.S. 469; 60 S. Ct. 982.

¹⁵ *U.S. v. Hutcheson* (1941) 312 U.S. 219; 61 S. Ct. 463.

bargaining institutions in the industrial nation than was true of the more or less makeshift arrangements under common and antitrust law. The bonafide labor relations law period actually began much earlier (1888) for railway workers and employers, but these groups have accounted for only a very small segment of total labor relations law in this country. Nevertheless, the Railway Labor Act of 1926 is of significance here, in that it foreshadowed legislative provisions which were later enacted by Congress for governing labor relations in general in the 1930's. Thus, a brief discussion of this law is desirable at this point.

The Railway Labor Act, 1926. The aims and objectives of the Railway Labor Act were stated to be (1) the avoidance of any interruption in interstate commerce; (2) the prohibition of any limitations upon the freedom of employees to organize; (3) the provision for complete independence upon the part of employers and employees in the matter of self-organization in order to carry out the provisions of the law; (4) the provision for prompt settlement of all disputes concerning pay, rules of employment, and working conditions; and (5) the provision for prompt settlement of all grievances arising out of the law's interpretation. Hence, even the stated objectives of the law are significant as a forerunner of things to come on two counts: Labor relations regulation on the part of Congress was justified under the Interstate Commerce Clause of the Constitution; and *both* workers and employers were to have their right to self-organization not only recognized by law, but protected by law.

The main provisions of the Railway Labor Act give labor and management groups the *duty* to make and maintain labor agreements. It is suggested that all disputes between the two parties are to be settled by the conference method, if possible, but additional methods of peaceful settlement are also contained in the law. The first alternative method of dispute settlement is that of mediation. Under this method of settlement the law provides for two agencies: the Railroad Adjustment Board, consisting of 36 persons—half from management and half from labor—to adjust disputes over rates of pay, rules, and working conditions under existing contracts; and the National Mediation Board of three, chosen by the President and Senate, to mediate disputes concerning *changes* in rates of pay and other aspects of working conditions. The second alternative method of dispute settlement provided by the law is that of voluntary arbitration. This procedure may be utilized only if the parties *agree* to arbitration; the law does not provide for compulsory arbitration. Finally, if a dispute has not been settled by the conference method, by mediation, or by voluntary arbitration, the law provides that the President may appoint an Emergency Board to investigate the dispute during a 30-day period, and for an additional 30 days, in which no strikes or lockouts may be called. The Board then submits its report to the President, who in turn reports to Congress. During peacetime, any further

action is up to Congress; during time of war, the President may seize the railroads affected by the dispute and operate them.

For many years—from 1926 until World War II—the Railway Labor Act was often referred to as a model labor relations law. Since World War II, however, railway labor disputes have required the appointment of emergency boards on several occasions and the seizure of firms by the government on some occasions. There has been a tendency for the parties to slight collective bargaining in hopes of gaining more via governmental investigation, a development which frequently accompanies compulsory arbitration where it has been used. A recent breakdown in collective bargaining in the railway industry concerned the issue of the maintenance of firemen on diesel locomotives. The end result was the passage by Congress of a law without precedent in this nation's labor relations law history—the *Railroad Arbitration Act* of August 28, 1963. This enactment provided for compulsory arbitration of this one issue via a seven-man arbitration board which was required to announce its decision by not later than 90 days after the passage of the law. The law itself was to expire 180 days after its enactment or on February 28, 1964, while the arbitration award resulting from this procedure was to be effective not longer than two years from the time it became operative. This temporary legislation illustrates simultaneously the determination of the central government not to permit the conduct of a nationwide strike in the vital railway industry and, at the same time, the reluctance of the government to use compulsory arbitration for anything save the avoidance of a national emergency—at least in time of peace.

The Norris-La Guardia Act, 1932. Between 1932 and 1935, during the first of the Roosevelt New Deal administrations, three legislative enactments were passed by Congress in the area of labor relations law, all of which were favorable toward unionism and collective bargaining. The first of these enactments was passed by a Democratic Congress in 1932 during the waning months of Republican President Hoover's administration and has since been known as the Norris-La Guardia Act or the Federal Anti-Injunction Act.

The principal purpose of the Norris-La Guardia Act was to restore the injunction as used in labor disputes to the use originally intended for it by English common law, a purpose which the Clayton Antitrust Act, as interpreted by the Supreme Court, had failed to accomplish. The Norris-La Guardia Act is the first labor relations law applicable to labor in general which enunciates the public policy of the United States relative to labor relations disputes and other labor/management interrelationships. In summary, the law declares the policy of the government to be that of assuring the unorganized worker of (1) freedom of association, organization, and the choice of bargaining representatives; (2) the right to bargain collectively over terms of employment; and (3) freedom

from interference, restraint, or coercion by employers in so far as their (the workers') organizational and negotiatory rights are concerned.

As if to prevent another narrow interpretation of the term *labor dispute*, such as that by the Supreme Court in connection with the Clayton Antitrust Act, the Norris-La Guardia Act defines the term *labor dispute* very broadly. Thus, the term is defined so as to include disputes between employers or associations thereof and employees or associations thereof; those between employers or their associations and other employers or their associations; and disputes between employees or between associations thereof.¹⁶ In other words, virtually any altercation within the labor/management family is declared to be a labor dispute.

Finally, the Norris-La Guardia Act limits the use of "private" injunctions in labor disputes, although it notes that it is not the intent of the law to prevent the use of the injunction to restrain unlawful acts or fraud. The law sets up a list of practices which may not be enjoined so long as there is no fraud or unlawful act involved. Hence, injunctions may no longer be secured by the employer (1) to prevent the conduct of strikes, the payment of strike benefits, or the giving-out of publicity concerning strike action; (2) to restrain workers from joining a union or from assembling peacefully; (3) to prevent an individual from lawfully aiding someone who is being prosecuted in connection with a labor dispute; and (4) to prevent workers from advising or notifying of the intent to commit any of the above acts, or to prevent a worker from advising or urging someone else to enter into the aforesaid acts. It should be noted, however, that the law specifically provides that injunctions may be secured to prevent the commission of unlawful acts; the occurrence of substantial and irreparable injury to property; when greater injury will occur to the plaintiff if an injunction is denied than will occur to the defendant if the injunction is granted; and when there is no adequate remedy at law or the public law enforcement officials are unable to protect the complainant's property adequately.¹⁷

The National Industrial Recovery Act, 1933. During the first year of the New Deal, a lengthy act was passed entitled the National Industrial Recovery Act, often referred to as simply the National Recovery Act or NRA. The primary purpose of this law was to stimulate economic recovery; but attention is here directed to only a small segment of that law, Section 7 (a), which was literally packed with labor relations dynamite. Briefly summarized, it provided that employees should have the right to "organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of

¹⁶ See Sections 13 (a), 13 (b), and 13 (c).

¹⁷ It should be noted here that the Norris-La Guardia Act had the effect of making the yellow-dog contract unenforceable in court. It remained for the Wagner Act in 1935 to make the yellow-dog contract illegal, per se.

employers of labor, or their agents, in the designation of such representatives or in self-organization. . . ." The section further provided that no employee might be required as a condition of employment to join a company union or to refrain from "joining, organizing, or assisting a labor organization of his own choosing." The significance of this provision is that for the first time in the history of the country, the right of workers to organize and to bargain collectively was recognized in black and white as the official policy of the federal government. This is not to say that collective bargaining or unionism had been illegal prior to 1933, but they had certainly never before been underwritten by law; and many court decisions left the impression that if they were not actually illegal, they were at least somewhat doubtful as to legal status.

The NRA failed to provide for enforcement machinery in so far as Section 7 (a) was concerned; thus, it was debatable as to just how workers would choose their official representatives or how complaints against employer interference with this right would be processed. Consequently, President Roosevelt established a National Labor Board consisting of three members representing employers, three members representing employees, and a chairman representing the public. The Board was empowered by the President to investigate and resolve any differences which might arise under the provisions of Section 7 (a) and to conduct representation elections. So voluminous was the work of this Board that it was soon necessary to set up 20 regional boards to assist it.

Labor's representatives were highly pleased with Section 7 (a) of the NRA and referred to it as "labor's Magna Charta," just as they had the Clayton Antitrust Act. Employers were extremely bitter about the same provisions, and many large corporations assumed attitudes of outright defiance toward the National Labor Board. This opposition made the work of the Board very difficult; and additionally, the fact that it did not possess the legal authority to enforce its own orders made maximum achievement by the agency impossible. Nevertheless, the Board, during its brief life (August 5, 1933, to July 9, 1934), did succeed in settling approximately one thousand strikes involving nearly 650,000 employees.¹⁸ In order to correct the weaknesses which appeared in the attempts to implement Section 7 (a), Congress passed a joint resolution in the spring of 1934, Public Resolution No. 44, which authorized the President to set up one or more boards to investigate labor controversies which were interfering with or threatening to interfere with the free flow of interstate commerce. The boards were also given the duty to conduct representation elections in plants and the right to issue subpoenas relative to said elections. Orders issued by the boards in election cases were made subject to review by the United States Circuit Courts of Appeals. Pur-

¹⁸ *Prentice-Hall Labor Course*, p. 4015.

suant to this resolution, the President issued an executive order establishing the first National Labor Relations Board as of July 9, 1934. The Board consisted of three members who tried to handle the cases that arose by mediation where possible or by a hearing where mediation did not succeed. As it turned out, however, the new Board had virtually no more authority for enforcing its orders than its predecessor had possessed. A problem in both instances was the fact that the boards were not legislative creations but products of executive orders of the President.

The first National Labor Relations Board, noted above, was also of short duration, coming to an end on May 27, 1935. The reason for its termination was the declaration by the Supreme Court on that date that the NRA was unconstitutional.¹⁹ The enactment was held unconstitutional because of provisions other than those in Section 7 (a); but this section naturally fell with the rest of the law, because of its dependence upon the unconstitutional provisions for its real meaning and purpose. Thus, after two stormy years the first legislative provision designed to place the federal government officially behind collective bargaining as a medium for the handling of labor/management disputes came to an end.

The National Labor Relations Act, 1935. In one month exactly from the date of the unconstitutionality ruling relative to the NRA, Congress enacted another law, the National Labor Relations or Wagner Act, which served as the basic federal labor relations statute from 1935 until 1947, when it was substantially amended by the Taft-Hartley Law.²⁰ The Wagner Act, like the Railway Labor Act and the Norris-La Guardia Act, was justified under the Interstate Commerce Clause of the federal Constitution. The basic purpose of the enactment is outlined in the "findings and policies" section of the law, Section 1. Here, Congress notes the following findings: (1) that strikes occasioned by employers' refusal to allow their employees to organize or to bargain collectively with them were obstructing or burdening interstate commerce; (2) that the inequality of bargaining power as between employers and employees, which favored the employers, tended to aggravate business depressions by depressing wage rates and the purchasing power of wage earners in industry; and (3) that experience has shown that the legal protection of employees' organizational and negotiatory rights tends to prevent the interruption of the flow of commerce by the removal of recognized sources of labor disputes and by the equalization of employer/employee bargaining power. As a result of these findings, Congress stated its national labor relations policy to be that of (1) the encouragement of collective bargaining and (2) the protection of the employees' right to organize and to choose their own bargaining representatives.

¹⁹ *Schechter Poultry Co. v. U.S.* (1935), 295 U.S. 495; 55 S. Ct. 837.

²⁰ The date of the passage of the Wagner Act was June 27, 1935.

In addition virtually to repeating the intent of the defunct Section 7(a) of the NRA, the National Labor Relations Act officially established the National Labor Relations Board of three members, appointed by the President with the advice and consent of the Senate. The principal functions of the NLRB were determined by the law to be those of conducting representation elections whereby workers could choose their bargaining representatives, and the processing of unfair labor practice charges as and when they might arise. In connection with the first-named function, the NLRB must first solve the often difficult problem of designating an appropriate bargaining unit. Thus, the serious omission of the requisite enforcement machinery from the NRA was not repeated by Congress in the NLRA.

The major portion of the NLRA consisted originally of a list of five unfair labor practices on the part of employers which were made unlawful. In the first place, the employer could no longer legally interfere with, restrain, or coerce employees in the exercise of their organizational or bargaining rights. Secondly, the employer was prohibited from dominating or interfering with the formation or administration of any labor organization, or from contributing financial support thereto.²¹ In the third place, the employer was prohibited from encouraging or discouraging membership in any labor organization via discriminatory hiring, firing, promoting, or demoting of employees. In other words, the employer could no longer legally use *union membership* or *sympathy* as the reason for hiring, firing, demoting, or promoting an individual.²² Fourth, the employer was prohibited from discharging or in any other way discriminating against an employee who testifies under the law. Finally, the employer could no longer legally refuse to bargain with the duly chosen representatives of his employees.

Employers were almost unanimous in their opinions concerning the one-sidedness of the Wagner Act. For two years, there were numerous instances of employer resistance to the enforcement of the law. The American Bar Association even advised employers publicly to disregard the act, being thoroughly convinced the law would be held unconstitutional. In 1937, however, the Supreme Court held the Wagner Act to be constitutional, to the surprise and dismay of most employers affected by it. The constitutionality of the law was upheld on April 12, 1937, in the case of *NLRB v. Jones and Laughlin Steel Corporation*²³ and in four

²¹ This provision was obviously aimed at banning the narrow form of company unionism which flourished in the 1920's and early 1930's in the employers' attempts to avoid the organization of workers by "outside" unions.

²² See Walter L. Daykin, "Effect of NLRA and Taft-Hartley on the Employer's Right to Hire," *Labor Law Journal*, October, 1953, pp. 677-84.

²³ 301 U.S. 1.

companion cases.²⁴ As a result of these key decisions, employers began to comply with the law's provisions with somewhat greater regularity, albeit grudgingly in most cases.

Needless to say, the attitude of organized labor toward the Wagner Act was quite the opposite of that of most employers. In fact, this enactment still represents the peak of achievement, politically and legislatively speaking, for organized labor. The protection and encouragement which the law afforded unionism and collective bargaining were probably major factors in the rapid growth of union membership and in the increasing number of collectively bargained labor agreements which characterized the period between 1935 and the beginning of World War II.

There is little doubt concerning the one-sidedness of the Wagner Act, as charged by employer groups—it was definitely a law favorable toward unionism and collective bargaining, with no restraints contained in the law relative to these institutions. In partial defense of this characteristic, some have observed that the law, of necessity, *had* to be one-sided if the finding of Congress relative to the imbalance in the relative bargaining power of the two groups was to be rectified. Still others who have agreed with this argument have nevertheless maintained that the law was *too* one-sided in nature and that it tended to lead the two groups from one type of imbalance to the opposite type in which organized labor enjoyed the advantage.

Regardless of the merits of the arguments just noted, employers and their associations were determined to secure additional legislation in this area which would serve to restrain the growing power and influence of labor organizations. With this goal in mind, political and legislative activities of these groups were stepped up, with the ultimate result being numerous legislative restrictions imposed upon unions at both state and federal levels between 1941 and 1947, especially, and continuing down to the present.

The Taft-Hartley Act, 1947. The next major labor relations law milestone at the federal level was the Taft-Hartley Act of 1947.²⁵ Designated officially as the Labor-Management Relations Act, this enactment amended the Wagner or National Labor Relations Act in a number of ways, while at the same time initiating a number of new labor relations regulations completely outside the scope of the Wagner Act.

²⁴ *NLRB v. Fruehauf Trailer*, 301 U.S. 49; *NLRB v. Friedman-Harry Marks Clothing Co.*, 301 U.S. 58; *Associated Press v. NLRB*, 301 U.S. 103; and *Washington, Virginia & Maryland Coach Co. v. NLRB*, 301 U.S. 142.

²⁵ Although the Taft-Hartley Act was the next major item of federal labor relations legislation following the Wagner Act, another little-mentioned enactment was passed by Congress in 1936, known as the Byrnes Act. This act prohibits the transportation of armed strikebreakers in interstate commerce.

The changes in the Wagner Act which were effected by the Taft-Hartley Act are apparent in the opening section, that of "findings and policies." Added to the findings noted earlier in the Wagner Act is a statement to the effect that certain practices by some labor organizations, officers, and members have been found to burden or obstruct commerce by preventing the flow of goods in commerce via strikes or other types of industrial unrest, and through certain concerted activities which tend to impair the public's interest in the free flow of commerce. The statement concludes by noting that the elimination of such practices is a necessary condition if the rights provided in the National Labor Relations Act, as amended by the Taft-Hartley Act, are to be guaranteed. Thus, from this initial section, it is apparent that the Taft-Hartley Act was directed principally at labor organizations and certain of their practices. It is also apparent, however, that since the rest of the Wagner Act's findings and policies were left intact, the basic Congressional purpose of protecting the right of workers to organize and to bargain collectively was preserved. In part, then, the Taft-Hartley Act was a recognition by Congress that just as certain acts of employers might interfere with the free flow of commerce, so also certain acts by labor organizations might have the same effect. Also, the law implies, just as employers could be guilty of unfair labor practices in their conduct of labor and employee relationships, so labor unions, their leaders, or members could also be guilty of similar practices.

Section 7 in the original National Labor Relations or Wagner Act was entitled "Rights of Employees" and declared, in effect, that employees shall possess the right to form or join labor organizations and to bargain collectively. The Taft-Hartley Act adds to this statement the declaration that employees shall also have the right to *refrain* from any or all activities related to organization or collective bargaining. Thus, while the Wagner Act emphasized the protection of the workers' desire to engage in organizational and collective bargaining activities, the Taft-Hartley Law emphasized the protection, as well, of the workers' choice *not* to take part in such activities.

Section 7 of the Wagner Act is followed by the five prohibited unfair labor practices of the employer in Section 8. These are left intact by the Taft-Hartley amendments, but to them are added six unfair labor practices of labor organizations or their agents. Unfair labor practices of labor organizations or their agents prohibited by the law are as follows:

1. The restraint or coercion of employees in the exercise of their organizational rights or of the employer in the selection of his bargaining representatives.
2. The discrimination against an employee who has been denied union membership or whose membership has been terminated on

grounds other than nonpayment of dues, or causing an employer to discriminate against an employee.

3. The refusal to bargain collectively.
4. The conduct of illegal strikes or boycotts.
5. The charging of excessive or discriminatory fees or dues under union shop contracts.
6. The exacting of compensation for services not performed or those not to be performed.²⁶

The Taft-Hartley amendments increased the National Labor Relations Board to five members and, further, provided that the Board's general counsel would thenceforth be appointed by the President and Senate rather than by the Board. The general counsel was given final authority with respect to the investigation and prosecution of unfair labor practice charges. The work of the NLRB is so voluminous that it has long operated through regional offices, each headed by a regional director and each having jurisdiction over a given geographic area. The Board also has staffs of attorneys, examiners, and clerical personnel to assist it with its heavy load of unfair labor practice cases and the numerous elections which it conducts.

In addition to the above changes in the Wagner Act, the Taft-Hartley Act contains numerous other provisions—so many that only a sample of the provisions can be dealt with in an introductory course of this nature. The closed shop, preferential shop, and the union hiring hall were made unlawful by the act, as well as secondary boycotts, jurisdictional strikes, and strikes against the government as an employer. These items are really covered in the law through the unfair labor practices noted above, which means that enforcement thereof would typically be through the NLRB with the courts seldom involved. It should be recalled here, however, that as discussed in Chapter 16, NLRB and Supreme Court decisions have held that under certain conditions, the hiring hall may be well within the law. The original Taft-Hartley Law provided that the union shop could be instigated only if a majority of those eligible to vote in a bargaining unit voted for the union shop.²⁷ This provision was deleted in 1951, however, although the union shop deauthorization poll was retained in the law. Employers need not recognize or bargain with

²⁶ This clause attempts to outlaw "featherbedding" practices of unions but the phrase ". . . or those not to be performed" makes the provision too vague to have had much effect. Another law, the *Lea Act* of 1946 was applicable only to broadcast licensees and prohibited coercion of broadcast licensees to employ persons in excess of the number needed by such a licensee to perform actual services. This law was aimed primarily at the Musicians Union under the leadership of James Petrillo but was not too effective due to the vagueness of its provisions. It provided for stronger sanctions than the Taft-Hartley Act in that it subjected offenders to criminal proceedings.

²⁷ See Chapter 16.

foremen's unions unless they wish to do so. No union may be certified by the NLRB as the bargaining representative of plant guards if the union admits to membership employees other than plant guards.

The Taft-Hartley Act initiated a return to greater use of the "governmental" injunction.²⁸ Thus, the NLRB *may* seek a temporary restraining order as soon as it issues a complaint in an unfair labor practice case; additionally, the Board *must* get a temporary restraining order in the case of illegal strikes or boycotts. While the law does not revive the "private" injunction as it was used under the Clayton Antitrust Act, it obviously does mark a return to the governmental injunction as provided in the Sherman Antitrust Act.

The Taft-Hartley Act provides for a so-called "cooling-off" period, in that the employer or the union must give 60 days' notice to the other party before terminating or modifying a contract. Further, employees who strike within this period lose their status as employees and *may* be permanently replaced by the employer if he chooses to do so.²⁹ A special provision is contained in the law relative to national emergency strikes. If, in the judgment of the President, a strike threatens to imperil the national health or safety, he may ask the Attorney General to seek an injunction halting the strike for not more than 80 days. During the first 60 days of this period, a presidential investigatory board investigates and attempts to settle the dispute. If these efforts are not successful, the board reports to the President when the 60 days are over. Within the last 15 days of the injunction period, the NLRB is empowered to poll the employees by secret ballot to see whether they will accept the last offer of the employer. When the 80-day period is completed, the injunction is lifted, even though the dispute has not been settled, and the strike may then be resumed. Any further action would then probably be up to Congress, to whom the President has by this time reported.

The above-mentioned national emergency provisions of the Taft-Hartley Law have been subjected to numerous criticisms since their enactment in 1947 and, yet, they remain unchanged. Criticisms have included the following: too much latitude granted to the President in determining what constitutes a national emergency; an attempt to drive a wedge between union leadership and membership via the secret poll of employees *in re* the employer's last offer; the lack of provision for the ultimate

²⁸ Private injunctions are still limited as to use in labor disputes by the Norris-La Guardia Act. From 1953 until June, 1959, the NLRB sought 618 injunctions against unions and only six against employers. See Walter L. Daykin, "The Pucinski Subcommittee Report," *Iowa Business Digest*, Bureau of Business and Economic Research, The University of Iowa, Iowa City, Iowa, November, 1964, Vol. 35, No. 11, pp. 3-15.

²⁹ The employer *may* also permanently replace strikers in an "economic" strike as opposed to an "unfair labor practice" strike during which an employee retains his status of employee. See Walter L. Daykin, "The Distinction between Economic and Unfair Labor Practice Strikes," *Labor Law Journal*, March, 1961, pp. 189 ff.

settlement of such a dispute; and the fact that the provision constitutes a return to more frequent use of the injunction in labor disputes. These criticisms and the failure of Congress to modify this section of the Law underline the difficulty of handling satisfactorily the very real problem, at least potentially, of labor-management altercations which could paralyze the national economy.

The Taft-Hartley Act set up an independent federal agency known as the Federal Mediation and Conciliation Service, with its principal office in Washington. Prior to this provision, a mediation and conciliation service had existed within the Department of Labor. The new independent agency may proffer its services in the event of a labor dispute, or it may be requested to aid in the dispute's settlement by one or both of the parties involved. During the 60-day cooling-off period, noted earlier, the Service is to be notified after 30 days have passed. When and if it becomes apparent that a settlement is not going to be achieved, the director of the Service may seek to induce the parties to try other methods of peaceful settlement. Compulsory arbitration is not provided by the law, however.

The law provides that suits may be brought against either party in the federal District Court as a result of a violation of a contract between the two parties. Any labor organization or any employer affecting interstate commerce shall be bound by the acts of its agents. Monetary judgments against labor organizations shall not extend to the personal assets of individual union members.

The Federal Corrupt Practices Act of 1925, which made it unlawful for a corporation to contribute toward the election of a president, representative, or senator, is amended by the Taft-Hartley Act so as to include labor organizations under the same prohibition. Contributions by a union toward the winning of a general election, a primary election, or a nominating convention are all prohibited. Nothing in the provision, however, forbids individual union members or officers from making campaign contributions, as may individual corporate officials or stockholders. Unions may likewise support given candidates by way of their various publications. Unions have also helped to finance campaigns of candidates for state offices and have carried on "educational" programs and voter-registration drives.

As a result of a decision by the federal Supreme Court on May 13, 1963, unions may experience some decline in funds for future political activity. In this decision, which involved the Railway Clerks and Railway Signalmen on the Southern Railway System, the Court ruled that union members who have been forced into membership by union-shop contract clauses should have the right to claim exemption for the payment of dues to the extent that such funds are to be used for purposes other than contract negotiations with employers. The Court suggested in its decision

that *all* unions should establish two levels of union dues—a higher level for those members who do not object to the use of their dues for political purposes in part, and a lower level for those members dissenting from such use of union dues altogether. Included in the term “political activity” by the Court were expenditures for all federal and state lobbying activities as well as the making of contributions to office-seeking candidates.³⁰ It should be noted that this case involved the Railway Labor Act and railway labor organizations as opposed to the Taft-Hartley Act and labor organizations in general. Also, the Street decision would appear to apply only in the presence of a union shop agreement.³¹

The employer’s freedom of speech relative to his opinion of unions and collective bargaining was strengthened somewhat by a provision that either party may speak out against the other so long as the utterances are not accompanied by threats of reprisals, or force, or the promise of rewards. That is, prior to a representation election, an employer may speak out against unionism in his plant so long as he does not threaten workers who might vote for a given union and so long as he does not promise a reward or benefit of some kind to those who vote against a given union.

New types of NLRB-sponsored elections were added to the representation election already conducted by the Board under the Wagner Act. For example, professional employees may request an election to see whether they wish to be included within a bargaining unit represented by a union. Craftsmen in a bargaining unit may also request a similar proceeding to determine whether they wish to be included in a given industrial union or would prefer to be represented by a craft union. The union shop deauthorization poll, already discussed in an earlier chapter, and the union decertification election are two other forms of elections which the Board may be asked to conduct.

Finally, the Taft-Hartley Act required labor organizations to file certain information with the federal government. Included are constitutions, bylaws, financial statements, lists of officers, and anticommunist affidavits signed by union officials. Failure to file this information deprived the union of the protection and service afforded it by the law under the National Labor Relations Board. The filing requirements have since been repealed and replaced by subsequent legislation, to be considered later in this chapter.

Observations. The Taft-Hartley or Labor-Management Relations Act of 1947 is an exceedingly long and complex enactment, with only some of

³⁰ *International Association of Machinists v. Street*, 367 U.S. 740.

³¹ For a detailed discussion of this whole issue, see Irving Kovarsky, “Unions and Federal Elections: a Social and Legal Analysis,” *Saint Louis University Law Journal*, Vol. 12, No. 3, Spring, 1968, pp. 358–91.

its major provisions noted above. Complete analysis of this legislation must be reserved to a more detailed course in labor legislation and would include, obviously, an analysis of NLRB decisions as well as court decisions which have placed various interpretations upon the law. Just as the Wagner Act represents the peak in the attainment of labor union legislative activities to date, so it is safe to say that the Taft-Hartley Act stands as the major achievement of legislative activities on the part of employers and their associations.

It should be obvious that organized labor's reactions to the Taft-Hartley Law were not enthusiastic. In fact, the reactions were extremely bitter, with the law being dubbed a "slave labor law." Just as employers contended that the Wagner Act was too one-sided, so labor organizations have maintained that the 1947 enactment not only was one-sided but was discriminatory and punitive in its effects upon organized labor, turning the clock back to "government by injunction," from which unions thought they had escaped.

A less emotional assessment of the law would probably lead to the conclusion that many of its provisions were definitely needed and are basically justifiable, such as most of the unfair labor practices on the part of labor unions. Some of its provisions are weak and have not accomplished what they set out to accomplish, such as the cooling-off provision and the "national emergency strike" provision. Other provisions were probably needlessly inflammatory and, if needed at all, should have been inserted in legislation other than labor relations legislation. Included among these would probably be the anticommunist affidavit provision, which, in effect, singled out union leaders as less patriotic than any other group in the nation. Even assuming that national patriotism should be and could be attained by legislation, such legislation should probably be applicable to all groups in society and should be separate from labor relations legislation.

The Taft-Hartley Act has not led to the wholesale demise of unionism predicted by its bitterest opponents, although it has undoubtedly made it more difficult to start unions where none exist. On the other hand, it has not served to roll back the clock for the employer relative to collective bargaining, as hoped by its most ardent proponents. When utilized, the law has served, along with the Wagner Act, to introduce more legalism and more governmental regulation into the area of the nation's labor relations. Even this, however, has not taken place to the extent which might have been supposed at the time of the law's passage. Both employers and labor unions have probably come to realize that labor relations are not too satisfactorily carried on within the courtroom. When the court action is over, the fact remains that the two parties must usually return to daily contact and interchange with each other. If the court action has served to increase animosities, it has thereby also served to

make daily labor relations more difficult for both parties, a cost which may outweigh any gains realized by the court action.

One further significant aspect of the Taft-Hartley Act deserves some attention here. While federal labor relations legislation up to and including most of the Taft-Hartley Act was primarily of the "rules of the game" variety, portions of this law extend governmental regulation, as it were, to the internal government and operation of the bargaining parties, and especially of labor unions. That is, regulations such as that prohibiting "unreasonable" union dues or fees, or that attempting to control the patriotism of union leaders, or those regarding the filing of financial statements and the like do not simply stipulate the rules under which the two parties carry on collective bargaining. They go farther than this and attempt to regulate aspects of internal organization, leadership, and finance on the part of labor organizations. This trend is continued in the remaining federal labor relations enactments to be considered in this chapter. It has the effect of adding to the uniqueness of labor relations law of this country as contrasted with that of most other major industrial nations. That is, the United States has *more* labor relations legislation than most other major industrial nations; and the legislation differs greatly in *kind* as well, since in most other major industrial nations, little or no attempt is made via law to regulate the internal aspects of the bargaining institutions.

Communist Control Act, 1954. The Subversive Activities Control Board, created in 1950, was given the power in 1954 by Congress to determine, upon petition by the Attorney General, whether a given organization is communist-infiltrated. In arriving at its decisions, the SACB must provide a fair hearing, and its decisions must rest upon the weight of evidence presented. If a labor union is adjudged communist-infiltrated by the SACB, the union thereby becomes ineligible (1) to represent employees in collective bargaining under the NLRA, (2) to make any unfair labor practice charge, or (3) to exercise any other right or privilege established for labor unions by the NLRA.

Employers also come under the above law. Thus, if an employer is convicted of communist infiltration under the law by the SACB, he becomes ineligible (1) to file a petition for an NLRB-conducted representation election, (2) to obtain a hearing on an unfair labor practice charge, or (3) to exercise any right or privilege provided for employers by the NLRA.

The Communist Control Act also included machinery for the decertification of any union adjudged by the SACB as communist-infiltrated. Upon petition of 20 percent or more of employees in the bargaining unit represented by the convicted union, the NLRB must hold an election to select a bargaining representative and to determine whether the employees wish to rescind any authority previously given to the union to enter

into a union shop contract. Although mention of this law is included here for illustrative purposes, it is virtually a dead letter in that the SACB has perhaps to hear its first case, even though the law is 16 years old. Hence, it is virtually inoperative.

Two aspects relative to this law are noteworthy. First, some of the sting of charging union leaders with the possibility of their lack of national loyalty is removed by bringing employers under the provision, too, contrary to the procedure in the Taft-Hartley Law. This is probably of little consolation to organized labor, however, since if an employer's loyalty should be suspected of straying from democracy's fold, it would probably not be in the direction of communism but more likely in the direction of fascism. The second noteworthy aspect is the fact that this law does enlarge upon the sanctions provided by law for eliminating communistic elements from the labor movement.

Landrum-Griffin Act, 1959. Major labor relations laws have come in 12-year intervals. Twelve years after the passage of the Wagner Act, the Taft-Hartley Act was passed; twelve years later, the Landrum-Griffin Act was enacted. Known officially as the Labor-Management Reporting and Disclosure Act of 1959, this legislation was a direct result of senatorial investigation (the McClellan Committee, 1957-59) of corruption in the area of labor and management relations, the major findings of which with respect to unions are discussed in Chapter 13. In addition to the findings of corruption with respect to a minority of unions and union leaders, the McClellan Committee found the following relative to industrial management: (1) that certain managements had engaged extensively in collusion with unions, to the detriment of the public and/or of union members; and (2) that certain managements had practiced a number of illegal activities in violation of the NLRA, including such activities as the hiring of labor spies and the enforcement of reprisals against workers known to have union sympathies. In addition, a minority of labor relations consultants were found to have acted in an improper manner on their own or as agents of employers. These findings, plus those noted in Chapter 13 relative to a minority of unions, produced the lengthy Landrum-Griffin Act of 1959. It is significant that though the act is more restrictive of unions and union leaders than of any other group, it was passed by a Democratic Congress reputedly favorable toward unionism and collective bargaining. Thus, the public pressures aroused by the senatorial investigation were apparently of significant proportions. With the next year, 1960, being a presidential election year, both parties were anxious to claim some credit for remedial legislation. As a result, the vote favoring the Landrum-Griffin Act was 352 to 52 in the House and 95 to 2 in the Senate.

The Landrum-Griffin Act, like the Taft-Hartley Act, is a lengthy enactment, only a portion of which is discussed here. Section 2 of the

law, "Declaration of Findings, Purposes, and Policy," notes, in effect, (1) that it is still the responsibility of the federal government to protect employees' organizational rights, and that the objective of a free flow of commerce necessitates high standards of ethical conduct on the part of labor organizations, employers, and their officials; (2) that there have been a number of instances of breach of trust, corruption, and other failures to maintain high ethical standards, as disclosed by investigation, which require legislation to protect the rights and interests of employees and the public generally as they are concerned with the activities of labor organizations, employers, labor relations consultants, and their officers and representatives; and (3) that Congress therefore declares the enactment of the Landrum-Griffin Law to be necessary to "eliminate or prevent" the improper practices of the groups in question.³²

It is obvious from this opening section that it is still under the Interstate Commerce Clause that federal labor relations legislation is justified by Congress. It is also apparent that this enactment is the most comprehensive of any passed so far with respect to the number of groups covered. Thus, labor organizations and their officials, employers and their officials, and labor relations consultants are all restricted by various provisions of the law. Additionally, the rights and interests of the general public, as well as those of employees and employers, are designated as being of concern to Congress in the passage of this legislation.

Several provisions in the Landrum-Griffin Law either modify or repeal certain provisions in the Wagner Act as amended by the Taft-Hartley Act. Thus, Subsection (c) is added to Section 14 of the NLRA in an attempt to remove the so-called "no man's land," where the NLRB had declined to take given unfair labor practice cases and state agencies were not permitted to govern. The Landrum-Griffin Act permits the NLRB to decline jurisdiction under certain conditions, notably where the effect on interstate commerce is minimal, but state boards and courts are given the right to exercise jurisdiction in such cases. Section 8 (b) (7) of the NLRA is amended by the Landrum-Griffin Act to control organizational or recognition picketing. Such picketing is prohibited to a rival union if the incumbent union has been lawfully recognized or certified, if a valid election has been held by the NLRB within the past 12 months, and if the picketing union has not filed an election petition within a reasonable time (not over 30 days) from the beginning of picketing activities. Section 10 (1), which requires the NLRB to seek a temporary restraining order in the event of unlawful strikes or boycotts, is enlarged so as to include unlawful picketing as well.

Section 9 (c) (3) of the NLRA, as amended by the Taft-Hartley Law,

³² See Bureau of National Affairs, Inc., *The Labor Reform Law: Operations Manual* (Washington, D.C., 1959); also Commerce Clearing House, Inc., *New Labor Law of 1959 with Explanation* (Chicago, 1959).

originally provided that workers who are striking for economic reasons would not be allowed to vote during the strike in any representation election, even though their replacements would possess the right to vote in such an election. The Landrum-Griffin Act changes this so that economic strikers may vote in any representation election conducted within 12 months from the beginning of the strike. The reporting and filing sections of the NLRA, Section 9 (f), (g), and (h), are repealed by the Landrum-Griffin Act, which requires virtually the same reporting by the union *regardless* of whether the union desires to have access to services of the NLRB. Thus, the 1959 reporting provision is more stringent than was the previous one. The Landrum-Griffin Act originally provided that no person might serve as a union official for five years from the time he had severed membership with the Communist Party. On June 7, 1965, however, the United States Supreme Court ruled in the case of *U.S. v. Archie Brown* that this provision (Section 504a) was unconstitutional. Chief Justice Warren declared that Congress had exceeded its constitutional authority by aiming this provision at a particular group. It was further noted that a similar provision with general applicability could be enforced by the courts.

The prohibition against secondary boycotts found in Section 8 of the NLRA was amended to illegalize most so-called "hot cargo" clauses in contracts which force the employer to cease handling, selling, or transporting products of other nonunion employers.³³ The secondary boycott prohibition is strengthened in other ways, too, so as to eliminate some loopholes which had been found in it. It should be noted, however, that a partial exemption is made from the secondary boycott prohibitions with respect to the garment industry, so that unions in this industry may lawfully refuse to work for jobbers or contractors who subcontract part of the production process to nonunion firms. This exemption was included, presumably, because of peculiar characteristics of the industry and as an aid to its stability. A similar exemption was made in the construction industry concerning agreements to contract or subcontract work performed at the construction site. A "hot cargo" case was decided by the Supreme Court in 1967 which has interesting implications. Thus, in this case the ruling was that a contract clause providing that no union member will handle any doors which have been prefitted before being delivered to the job site is a lawful effort to preserve for craftsmen work which they have traditionally performed on the job site.³⁴ This ruling might have implications in regard to possible technological unemployment remedies on the part of organized employees.

³³ Presumably, "hot cargo" clauses in which the employer merely agrees not to discipline any employee who refuses to handle nonunion products would still be lawful.

³⁴ *National Woodwork Manufacturers' Association v. NLRB* (1967).

The closed shop prohibition in the NLRA was modified somewhat by the Landrum-Griffin Act, so that in the construction industry, employees may be required to join a union within seven days after their employment begins. While this is not quite the same as a closed shop, it is more liberal than the typical union shop and was written into the law because of the peculiarly short-run nature of employment on various jobs and at various sites in the construction industry.

While there were other changes effected by the Landrum-Griffin Act in the NLRA as amended by the Taft-Hartley Act, the major changes have been noted above. The remainder of the law deals with such matters as internal aspects of union government, the rights of employees and of union members, the duties of employers and of labor relations consultants, and certain restrictions upon unions, employers, and labor relations consultants.

Internal aspects of union government are regulated, in part, as follows:

1. A union may not raise its dues or fees, or levy a special assessment, unless the action is approved by a majority membership vote via secret ballot.
2. A union may not limit the right of a member to bring suit in court or to contact a congressman.
3. Other than for nonpayment of dues, a union may not punish a member without first serving written charges on him, giving him time to prepare his defense, and providing him with a fair hearing.
4. A parent (national) union may not maintain a local union in a state of trusteeship longer than 18 months unless clear proof can be shown of the need for continuation.
5. National unions must elect officers by secret ballot at least every five years, while local unions must elect officers via secret ballot at least every three years.
6. A union may not use money from dues or assessments to promote the candidacy of any person running for a union office.
7. The union must provide safeguards assuring a fair election, including the right of any candidate to have an observer at the polls.
8. A union must bond any officer or representative who handles union funds.
9. A union may not lend an officer or employee of the union more than \$2,000, nor may it pay the fine of any officer or employee who has been convicted of willful violation of the act.

Union officials and employees are affected in still other ways by the Landrum-Griffin Act, namely:

1. Each officer must file annually with the Secretary of Labor a complete report on his financial dealings related to the union.

2. Elected officials guilty of serious misconduct may be removed by a secret ballot vote of the membership.
3. Embezzlement of union funds by an officer or employee of the union is made a federal offense.
4. Any person convicted of a serious crime may not hold any union position—other than clerical or custodial—for a period of five years following his conviction or after release from prison.
5. The use of violence or threats thereof by union officers or employees against members of the union is made a federal offense.

In addition to those already noted in other connections, the union member is provided with many legal rights by the Landrum-Griffin Act. Included are the following:

1. The right to express views at union meetings.
2. The right to obtain a copy of the labor contract affecting the union member.
3. The right to examine books and records of the union if he can show just cause.
4. The right to refuse to cross a union picket line at another company if the union is on an authorized strike against that company.

The law very specifically provides for enforcement of union members' rights. Thus, the right to inspect union contracts is enforceable via the Secretary of Labor through civil actions in federal district courts. The other rights can be enforced by actions of the members themselves in the federal district court located in the district where the violations occurred or where the headquarters of the union are established. Rights to information on union reports and to recover union assets which may have been misappropriated can be enforced by members also in *state* courts.

Under the law, union members are ordinarily expected to exhaust all reasonable union remedies as contained in its constitution or bylaws before taking court action. However, if the union member can show the remedy to be unreasonable; or if he can show that chances are great the remedy will be handled in an arbitrary fashion by the union; or if he can show that four months or more have transpired without a decision—then, in any of these situations the union member can proceed to court action without going through the constitutional procedures held out by the union.

Employers are restricted in several ways by the 1959 legislation, including the following:

1. No money may be contributed by an employer to aid in the election of any person running for union office.
2. Payments by an employer to a union officer are prohibited if they are in the nature of bribery or blackmail.

3. Annual reports must be filed by the employer with the Secretary of Labor concerning various types of financial transactions with a union, its officers, or its members, especially when such transactions are intended to interfere with the organizational rights of employees.
4. The employer, in most cases, is prohibited from financing, encouraging, or participating in the bringing of suit against a union by a member or in the communicating with a congressman by a union member.

Finally, the Landrum-Griffin Act makes certain actions of labor relations consultants unlawful and, at the same time, requires them to fulfill certain obligations. Consultants must file a report with the Secretary of Labor within 30 days of the drafting of any agreement with an employer (1) to influence employees relative to their right to organize or bargain collectively or (2) to furnish the employer with information on actions of employees or a union in connection with a labor dispute involving the employer. In any year that payments are made to the consultant by the employer pursuant to the type of agreements noted above, the consultant must file a report with the Secretary of Labor containing a detailed account of receipts and disbursements. Persons convicted of serious crimes may not serve as labor relations consultants for a period of five years from the date of their conviction or their release from prison. No consultant may make payments to unions, union agents, or employees which are in the nature of bribes or blackmail.

Observations. Thus, it is apparent that the Landrum-Griffin Act goes deeply into the internal affairs of all parties to collective bargaining. It is much more than "rules of the game" legislation; it goes into the dressing rooms of the participants, so to speak, and, in effect, tells them how they shall choose their captains and how they shall govern themselves between "games." While the Wagner and Taft-Hartley acts were noted as representing peaks of legislative action by labor and management, respectively, the Landrum-Griffin Act is more representative of action by the public in general as a result of the findings of the senatorial investigating committee.³⁵ Partial evidence of this is the opposition expressed vigorously by both organized labor and employers when the terms of the bill were being debated in Congress during 1959.

Experience under the Law. A review of Bureau of Labor-Management Reports summarizing experience under the Landrum-Griffin Act produces some interesting conclusions. In the first place, unethical practices

³⁵ Union spokesmen, however, have contended that the law is another "antiunion" law and hence discriminatory. See J. Albert Woll, "L-G 'Reforms' Weaken Labor's Role in American Society," *American Federationist*, August, 1960, pp. 21-24. Employers and their associations have also been quite outspoken in their opposition to the restraints imposed by the law on their internal activities.

on the part of unions and union leaders are definitely relatively insignificant; the predictions of sensational disclosures simply have not been documented.³⁶ Secondly, unions with rival factions are not necessarily democratic, while unions without rival factions are not necessarily undemocratic as to procedure. Third, embezzlement and absconding with union funds is much more of a rarity than was believed by many prior to the act's enforcement; for example, low loss ratios in this category have enabled unions to get sharp reductions in premiums for insurance against such losses. Fourth, the provision regulating trusteeships has worked fairly well and is seen as a protection against possible abuse of power, but such abuse has really been limited to few organizations. In the fifth place, unions' financial reports sustain the observations made in an earlier chapter on the modest level of most union salaries and it seems highly possible that union leaders' salaries in the main have not risen so fast as salaries in other similar offices, i. e., offices in other organizations requiring comparable degrees of responsibility. Sixth, the experience under the law shows union dues to have risen in recent years but not precipitously; in the big majority of unions the payment of dues requires no more than one to two hours' work per month. Seventh, assessments still play a minor rule in union finances as noted in an earlier chapter and they tend to be avoided, except for some obvious purpose such as political action or in the case of some emergency. Eighth, the regulation of union elections during the first four years under the law saw some 206 cases being handled in which a violation of election provisions was charged. In 75 cases no violations were found, while in 65 cases it was found that the practices "may have affected" the outcome. Only some over 35,000 members were affected in total in all of the cases. It is highly possible that a similar spotlight focused on regular elections for state and federal officers might disclose more departures from the law than have been true of union elections.

Thus, the experience under the Landrum-Griffin Act has confirmed the position taken by many students of labor relations that while there is the inevitable minority of unions and union leaders whose practices are questionable as to ethics, the vast majority of such groups and their leaders are probably as ethical in their conduct, if not more so, than would be found in respect to other organizations and their leaders if put under a similar legislative enactment. Of course, it should be noted that the law may well have had the effect of causing many unions and/or union leaders to "change their ways" but it would be virtually impossible to discover how much of this sort of effect was involved.

The reasons for the growth in quantity and kind of labor relations

³⁶ For a detailed study of the first four years under the law, see Martin S. Estey, Philip Taft, and Martin Wagner, (eds.), *Regulating Union Government* (New York: Harper & Row, Publishers), 1964.

legislation at the federal level are many and, in some instances, subject to speculation. In part, the legislation is attributable to the intensified political and legislative activity of labor organizations and employers or their associations. This development in itself has caused each group to be the object of certain protective provisions, some regulative provisions, and some restrictive provisions. In part, however, the large amount of such legislation found in this country represents a judgment by the general public that collective bargaining, unrestrained, does not always work to the advantage of the economy in general and that a minority of the bargaining parties cannot always be relied upon to conduct themselves in line with high-level ethical codes. Whether the trend in the quantity and kind of labor relations law at the federal level will continue to expand until most internal aspects of the bargaining parties are regulated or, possibly, until a form of compulsory arbitration is attempted remains to be seen. It could very well depend upon the ability of the two bargaining agents to maintain a satisfactory code of ethics internally, as well as upon the manner in which collective bargaining appears to work from the viewpoint of the public in general. No small determinant may well be the success, or lack of it, experienced by the bargaining agents in future political and legislative activities.

STATE LABOR RELATIONS LEGISLATION

State labor relations legislation, since it is generally applicable only to employers and employees in *intrastate* commerce, has tended to govern a declining portion of the nation's industrial employees as industry has expanded over state boundaries. Therefore, it is not so important to most unions, employers, and employees as it once was, and is likely to be of less and less importance as time passes. Relative to the timing of state labor relations enactments, there has been no set pattern. For example, some state anti-injunction laws preceded the federal Norris-La Guardia Act of 1932, although most such state laws came after 1932. On the other hand, all state laws which were modeled along the lines of the federal Wagner Act were enacted after Congress had taken action, while the trend toward greater legislative restrictions upon union activities which appeared at the federal level with the Taft-Hartley Act of 1947 was anticipated in the states as early as 1939.

As noted in connection with federal labor relations law development, so also in the development of state labor relations law the English common-law doctrines of criminal conspiracy and restraint of trade figured importantly, especially during the nineteenth century. It will be recalled that it was a state supreme court, that of Massachusetts, which handed down the decision in 1842 spelling the beginning of the end of the criminal conspiracy doctrine. It should further be noted that labor

organizations have sometimes been judged as illegal combinations in restraint of trade under state antitrust legislation when such organizations have departed from their lawful acts. A few states have even made specific devices by labor unions such as the secondary boycott and union security programs illegal because of their tendency to restrain trade. In other words, labor unions have fared much the same under state antitrust laws as under the federal antitrust laws.³⁷

Anti-Injunction Laws

At least two states, Montana in 1895 and Kansas in 1913, imposed some restrictions upon the use of the injunction in labor disputes before Congress tried to do so in 1914 with the Clayton Act.³⁸ Between the passage of the Clayton Act and 1926, at least six additional states enacted anti-injunction legislation: Utah and Minnesota in 1917, Oregon and Washington in 1919, and Illinois and New Jersey in 1925 and 1926, respectively. Anti-injunction legislation which served as the model for the Norris-La Guardia Act in 1932 was passed by Pennsylvania and Wisconsin in 1931. After Congress had enacted the Norris-La Guardia Act in 1932, a number of states followed suit, with New Jersey, Colorado, Idaho, Indiana, Maine, Minnesota, Oregon, Utah, Washington, Louisiana, Maryland, Massachusetts, New York, North Dakota, Rhode Island, and Connecticut, all either passing their first anti-injunction statutes or replacing old ones between 1933 and 1939. Although most of the states in the list are industrial in nature, some are surprisingly agricultural in orientation. Most sections of the country are represented, but it is obvious that the union strongholds of the Northeast and the West predominate. Since both the intent and the content of most of the state anti-injunction acts passed since 1930 are very similar to those of the Norris-La Guardia Act, a detailed discussion thereof will not be attempted here. Suffice it to say that, in general, the states also sought to restrict the use of the injunction in labor disputes in such a way that the organizational and collective bargaining rights of employees would not thereby be impaired. Nearly all had the effect of making the yellow-dog contract unenforceable, as did the Norris-La Guardia Act at the federal level.

Little Wagner Acts

Between 1932 and 1939, inclusive, seven states passed labor relations laws which so resembled the Wagner Act of the federal government that

³⁷ See Chester A. Morgan, "Unions and State Antitrust Laws," *Labor Law Journal*, July, 1956, pp. 395 ff.

³⁸ *Prentice-Hall Labor Course*, p. 11,028-A.

they were called Little Wagner Acts. These states were New York, Pennsylvania, and Utah in 1937; Massachusetts in 1938; and Michigan, Minnesota, and Wisconsin in 1939. It is noteworthy that these laws did not appear until 1937, when the Wagner Act's constitutionality was finally affirmed by the Supreme Court.

The Little Wagner Acts resembled the parent act in many ways. Their "findings and policies" sections noted inequality of bargaining power as a wage depressant, referred to the interference with commerce (intra-state) occasioned by strikes, and declared the purpose of the legislation to be that of establishing the right of workers to organize and to bargain collectively. State labor relations boards were also provided by the Little Wagner Acts and empowered to conduct plant representation elections and to process unfair labor practice charges. The balance of most of the Little Wagner Acts was devoted to an enumeration of unfair labor practices on the part of the employer which greatly resembled their counterparts in the Wagner Act.

In 1939, legislation in the states began to be somewhat more conservative in tone and a little less apt to extend protection to workers and unions to the exclusion of employers. Wisconsin, for example, in 1939 repealed its Little Wagner Act and enacted a more conservative law. Pennsylvania amended its Little Wagner Act, while Michigan and Minnesota enacted laws of the new style. The most important change in state laws was twofold in nature: (1) labor unions as well as employers were recognized as being capable of unfair practices, and (2) the public was considered to have some rights deserving of legislative safeguards.

In 1967, Vermont passed a labor relations law and became thereby the 15th state with a full-fledged labor relations enactment providing for a state labor relations board. Puerto Rico also has such legislation in force. The states with labor relations laws as of the end of 1967 were: Alaska, Colorado, Connecticut, Hawaii, Kansas, Massachusetts, Michigan, Minnesota, New York, North Dakota, Pennsylvania, Rhode Island, Utah, Vermont, and Wisconsin. Only four of the laws still might be said to be of the Wagner Act variety: Connecticut, Massachusetts, New York, and Rhode Island, with the remainder being more like the Taft-Hartley Law in tone. Thus, a relatively small number of states today have labor relations laws when the importance of labor relations to state and federal economies is considered. In view of the desire for collective bargaining being voiced today by public or quasi-public employees such as school teachers and nurses, states might well become more active in the area of labor relations legislation. During 1967 alone some 17 states passed legislation dealing with labor relations in the public sector. In general, such enactments permit the organization of public employees for negotiating purposes while prohibiting or severely limiting their right to strike.

Little Taft-Hartley Laws

While the trend toward labor relations laws which were somewhat restrictive of labor organizations began in state legislatures as early as 1939, the big flood of such legislation in the states came in 1947, the year in which the federal Taft-Hartley Act was passed, and in the years immediately following. Because many of these state laws contained provisions similar to the federal provisions, they were often called Little Taft-Hartley Acts. In 1947, 35 of the 43 states whose legislative assemblies convened in that year considered bills to ban union security arrangements, with 12 states passing such legislation.³⁹ Other legislation passed in various states included the prohibition of secondary boycotts; the restriction of picketing; requirements that unions register and file financial statements; the prohibition of political contributions by unions; the making unlawful of strikes by governmental employees, especially those employed by hospitals; the requirement of a majority strike vote before a union could call a strike; the setting-up of a cooling-off period before a strike can be conducted; the prohibition of public utility strikes; and the provision for the use of the injunction to halt certain unlawful practices of parties to collective bargaining. Some states, it should be noted, incorporated only a few of these provisions in their legislation; others included most of these provisions in their legislation. In general, the more agricultural the state, the more intense the regulation of labor organizations, but even industrial states imposed restrictions upon labor organizations which they had not utilized prior to 1947. Most of the provisions noted have previously been discussed in connection with the Taft-Hartley Law, so that the similarity in approach by state and federal lawmaking bodies in 1947 is inescapably clear. It may also be noted that some of the provisions above represent an anticipation by states of certain Landrum-Griffin Act sections—especially those state provisions requiring filing of certain information by unions and those attempting to insure democratic government within unions. The era of governmental protection and encouragement of unionism and collective bargaining in this nation had given way to one of increasing regulation thereof.

“Right to Work” Laws

In the years since 1947, it is probably safe to say that so-called “right to work” laws, which prohibit union security clauses in labor contracts, have been more under consideration at the state level than any one other

³⁹ “States Lead in Legislation,” *Business Week*, June 14, 1947, pp. 90-96.

type of labor relations legislation. Here, the legislative battle lines have been singularly clear-cut, with employers and their associations pouring in vast sums to bring about the passage of such legislation and unions acting similarly to prevent its passage. The importance of the state "right to work" laws was increased by the Taft-Hartley Act's provision, Section 14 (b), which makes state prohibitions of union security clauses applicable within the state to all employees—interstate and intrastate alike. Thus, if "right to work" laws could conceivably be enacted in every state, this could eliminate all union shop clauses, even though such a clause is perfectly legitimate under federal law, and even though most employees come under federal law in other respects.

As of January, 1969, after 23 years of bitter struggle between labor and management over "right to work" laws in the states, only 19 states had full-fledged laws of this type, while a 20th state, Louisiana, had a law applicable only to agricultural employees. The 19 states, largely agricultural states in the Midwest, South, and Southwest, were Alabama, Arizona, Arkansas, Florida, Georgia, Iowa, Kansas, Mississippi, Nebraska, Nevada, North Carolina, North Dakota, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, and Wyoming. Two other states regulate union security clauses in some way, such as requiring an election before a closed shop may be instituted or prohibiting membership discrimination by the union if a closed shop is to be utilized. These states are Colorado and Wisconsin. Indiana was the only highly industrial state to enact a "right to work" law. This law, enacted in 1957, was repealed as the first order of business by the Indiana legislative assembly in January, 1965. Despite the fact that the Johnson landslide of 1964 brought relatively liberal legislative bodies to the "right to work" states, only Indiana had repealed its law by January, 1969. Bills to accomplish the same thing were introduced in most other "right to work" states but were usually defeated by coalitions of conservative Republican and Democratic law makers. Thus, the power of employers' interests in these quasi-agricultural states as opposed to that of organized labor was again verified.

This struggle was not confined to the states, however, as President Johnson gratified organized labor by urging Congress to repeal Section 14b of the Taft-Hartley Act. Such a move would virtually emasculate state "right to work" laws by making them applicable only to workers in intrastate commerce. While the House of Representatives voted to repeal Section 14b by a small majority of 21 votes in the summer of 1965, an alliance in the Senate between southern Democrats and northern Republicans prevented similar action by that body. Thus, as of the end of 1968, Section 14b of the Taft-Hartley Act as well as the 19 state "right to work" laws still remained intact with serious reconsideration by Congress of Section 14b in 1969 never materializing.

SUMMARY

It has become apparent in this chapter that the segment of labor law known as *labor relations law* has undergone a phenomenal rate of growth since 1932. This rate of growth is without precedent in any other industrial nation. Contributing to this development have been several factors:

1. The growing importance placed by labor organizations and employers and their associations upon external activities of political and legislative nature.
2. The realization of the society in general that labor relations have assumed a position of major importance in the total economy.
3. The failure of the bargaining agents to make collective bargaining work to the satisfaction of the economy in general.
4. The tendency for minorities within both groups to act in an unethical manner.

The development of labor relations law in this country from the first use of the doctrine of criminal conspiracy in 1806 to the passage of the Landrum-Griffin Act in 1959 has accompanied and facilitated an evolutionary change in the predominant attitude of the economy toward the two bargaining agents. Relative to labor unions, the change in attitude has been from hostility, to uneasy tolerance, to encouragement and protection, and, ultimately, to restriction and regulation as the institution has matured in economic power and influence. Relative to employers and their associations, the sequence in the change of prevailing attitude has been from trust and confidence, to mild suspicion and doubt, and, finally, to restriction and regulation. Hence, both groups, traveling different roads and starting at different points, have arrived at somewhat the same position—one in which certain protections are afforded by the society along with general acceptance of the groups, coupled with detailed regulations of the manner in which collective bargaining is conducted as well as the manner in which each group is governed internally to a certain extent.

Both labor organizations and employers' agencies have seen their political and legislative activities seemingly pay off in the enactment of (to them) favorable labor relations legislation. Each has also undergone the frustrating experience of increasing governmental regulation as the political and legislative activities of the opposite group have succeeded in part. Finally, both groups have been the object of certain general regulations imposed by other interests outside the labor/management family proper.

The end result of the above developments has been the increasing

injection of government into the area of labor relations. Thus, *laissez faire* in still another area of economic life has had to give way at long last to a high degree of governmental regulation. The end is not yet in sight, in all probability. With each group continuing to emphasize its political and legislative activities, and with the public in general at times apparently scrutinizing the collective bargaining process very carefully, it is conceivable that still more governmental regulation will result. Perhaps it is inevitable that as institutions mature, even in a democratic society, they must settle for lesser degrees of freedom if their energies and influence are to be harnessed so as to contribute to the common good, a principle which was much earlier accepted by democratic societies with respect to the behavior of individuals. In any event, the emergence of government as a major labor market institution has completed the institutionalization of the labor market. Thus, this important market which was once characterized by the personal relations of employer and employee has been transformed to one in which interinstitutional relationships are the norm.

In concluding this chapter, however, it is important to keep in mind the fact that the vast and growing body of labor relations law is basically attributable to the impacts of industrialization on the labor market, which gave rise to economic problems and insecurities peculiar to the industrial society, and which in turn caused institutions to emerge whose external activities, designed to resolve the economic problems in the interest of the respective groups, have led to the body of law discussed in this chapter. It is perhaps to be lamented that this process has too often led to "spite" legislation, whereby each group has tried to "get even" with the opposite group, rather than legislation drafted cooperatively by the two groups with a view to mutual benefits to be gained therefrom. The latter approach would appear to be far too idealistic in nature to be attainable—at least at the state of institutional development which is to be found in this nation at present.

DISCUSSION QUESTIONS

1. In what ways might the *criminal conspiracy* doctrine be justified under a system of genuine *laissez faire* coupled with the existence of free markets?
2. Differentiate between the doctrines of *criminal conspiracy* and *restraint of trade*.
3. What are some possible reasons for the more rapid progress made by labor relations legislation for the railway industry than for industry in general?
4. What are the implications of the principle established in the Danbury Hatters case that individual union members could be held accountable

- financially for acts of their organization, its leaders, or even its other members?
5. How can the Supreme Court's interpretation of the Clayton Act relative to the labor provisions be explained?
 6. Discuss some of the possible misuses of the injunction in the area of labor relations.
 7. Summarize some of the important principles established in the Railway Labor Act of 1926. Indicate laws of the 1930's in which these same principles reappeared.
 8. Why is it incorrect to say that the Norris-La Guardia Act eliminated the injunction as an instrument in labor relations disputes?
 9. What was the significance of Section 7(a) in the National Industrial Recovery Act of 1933?
 10. In your opinion, was the Wagner Act of 1935 too one-sided? Why, or why not?
 11. Analyze the merits and demerits of the Taft-Hartley Act, as you see them. Does it give rise to too much legalism?
 12. Comment upon the possible success or failure of the Landrum-Griffin Act relative to its goal of union democracy and high-level ethics.
 13. Former UMW president, the late John L. Lewis, once said that all federal labor relations law should be scrapped, with the exception of the Norris-La Guardia Act. Comment.
 14. Why do you think the "right to work" laws in the states have become symbolic of the labor/management legislative and political conflict?

SELECTED READINGS

- BUREAU OF NATIONAL AFFAIRS, INC. *The Labor Reform Law: Operations Manual*. Washington, D.C., 1959.
- CHAMBERLIN, E. H.; BRADLEY, P. D.; REILLY, G. D.; and POUND, R. *Labor Unions and Public Policy*. Washington, D.C.: American Enterprise Association, 1958.
- COMMERCE CLEARING HOUSE, INC. *Labor Law Course*, 1968. Chicago, 1969.
- DAYKIN, WALTER L. "Origin and Function of Labor Legislation," in BAKKE, E. W.; KERR, C.; and ANROD, C. W. *Unions, Management, and the Public*, pp. 568-72. 2d ed. New York: Harcourt, Brace & Co., Inc., 1960.
- ESTEY, MARTIN; TAFT, PHILIP; and WAGNER, MARTIN (eds.). *Regulating Union Government*. New York: Harper & Row, Publishers, 1964.
- EVANS, ROBERT, JR. *Public Policy Toward Labor*. New York: Harper & Row, Publishers, 1965.
- GILBERT, DAVID. "A Statistical Analysis of the Right-To-Work Law Conflict," *Industrial and Labor Relations Review*, July, 1966, pp. 533-37.

- KOVARSKY, IRVING. "Unions and Federal Elections: A Social and Legal Analysis," *Saint Louis University Law Journal*, Spring, 1968, pp. 358-91.
- LAZAR, JOSEPH; LOMBARDI, VINCENT; and SELTZER, GEORGE. "The Tripartite Commission in Public Interest Disputes in Minnesota, 1940-60," *Labor Law Journal*, May, 1963, pp. 419-33.
- NORTHROP, HERBERT, and BLOOM, GORDON. *Government and Labor*. Homewood, Illinois: Richard D. Irwin, Inc., 1963.
- TAYLOR, ALBION GUILFORD. *Labor Problems and the Law*. New York: Prentice-Hall, Inc., 1950.

SUBSTANTIVE LABOR LAW IN THE UNITED STATES

The labor market institutions stemming from industrialization have produced via their external activities (i.e., activities in the society at large) a vast body of *substantive labor law* in addition to the labor relations legislation discussed in the preceding chapter. The term *substantive labor law*, as it is used here, has reference to law dealing with the subject matter of collective bargaining as opposed to the regulations within which collective bargaining is conducted as stipulated by *labor relations* legislation. Thus, the major economic problems of the labor market and the industrial worker, as discussed in the first portion of this book, are all covered in some manner by the numerous substantive labor laws of the federal and state governments. For the sake of orderly treatment, salient examples of such legislation will be discussed in this chapter under the appropriate headings of *wage* legislation, *hours* legislation, *working conditions* legislation, legislation protecting *unorganized minorities*, and *economic security* legislation. A concluding section will refer, in passing, to certain miscellaneous legislation indirectly related to industrial workers and employers.

It should be noted, before beginning the discussion of substantive legislation, that the bargaining agents—labor unions and employers or their associations—have played prominent and diametrically opposed roles in the development of such legislation. Labor unions have worked very hard and with varying degrees of success to secure enactment of substantive labor legislation which would allegedly benefit industrial labor. The role of employers and their associations has been largely one of fighting a delaying, defensive battle. For the most part, in the industrial states especially, and at the national level, the action of employers and associations has not been successful over the long run in preventing such legislation. It is probably true, however, that many of the laws sponsored by organized labor would have been much more liberal and

would have been enacted much sooner had it not been for the concerted opposition of employers in the several jurisdictions. Perhaps the resulting compromise, so inevitable in a democratic society where freedom of expression and the right to vote are possessed by all major groups, has not been too bad, on the whole. Admittedly, in given short-run situations, some economically unwise legislation may have been passed where the superior political power for the moment was wielded by labor groups. In other short-run situations, highly desirable legislation may have been delayed for years due to the possession of the balance of political power by employer interests.

It will become evident as the chapter progresses that substantive labor law in this nation has not always been initiated and supported by organized labor alone. Often, many other interested groups have assisted organized labor in its drive for given substantive enactments for one reason or another. It will also be apparent that the effects of substantive labor legislation have not been confined to organized labor, or even to labor as a whole. Many such laws have afforded protection to various groups outside labor and have, indeed, produced varied repercussions for the economy as a whole. The question of the general desirability or undesirability of given laws has often remained in the moot category, to the frustration of economists and other social scientists.

WAGE LEGISLATION

Just as a large proportion of the provisions in a labor contract were noted as being concerned with wages, so also a large proportion of substantive labor legislation in this country is concerned with wages. Wage legislation at both the central and state governmental levels is divided between *minimum-wage* legislation and *methods of wage payment* legislation. In both of these types of legislation the state governments tended to anticipate the federal government. Today, however, both the states and the central government have such legislation.

Minimum-Wage Legislation

While minimum-wage legislation has been a goal of modern labor organizations, earlier unions were not always so interested in such legislation. This is probably explained by the fact that prior to the 1930's the dominant unions were craft unions, with the majority of unskilled workers still unorganized. Consequently, it was natural for the craft unions to view minimum-wage legislation as offering little to them in the way of economic gain due to the relatively high wage levels of their members. As industrial unions came into prominence, however, after World War I, organized labor increasingly worked for the enactment of legislation which would put a floor under wage rates.

State Laws. State legislative assemblies began the enactment of minimum-wage laws early in this century. Such state laws initially applied only to wage rates of women and children. The primary justification for this legislation was the relatively weak bargaining position of women and children in the labor market. Most state minimum-wage laws continue to be limited in scope; but since World War II, several states have amended their laws so as to cover adult male workers as well as women and children.

The first state minimum-wage law was enacted in 1912 by Massachusetts, with eight other states following suit in 1913. Between 1914 and 1923, six additional states passed minimum-wage laws, while Congress, in 1918, voted similar legislation for the District of Columbia.¹ This trend was interrupted, however, when the federal Supreme Court held the minimum-wage law for the District of Columbia to be unconstitutional. Thereafter, some state laws were repealed, while others were ruled unconstitutional by state supreme courts.

The state minimum-wage law movement was revived during the depression of the 1930's, with seven states passing such legislation in 1933 and restricting coverage thereof to women and children. Shortly thereafter, however, the New York law was held to be unconstitutional as a violation of the Fourteenth Amendment to the federal Constitution in depriving employers of property without due process of law. It thus became speedily evident that the attitude of the federal judiciary toward minimum-wage legislation was still negative.

The turning point with regard to state minimum-wage legislation came in 1937, when the minimum-wage law of the state of Washington was upheld by that state's Supreme Court. The same law was upheld by the federal Supreme Court later in 1937,² the same year, it will be recalled, in which the controversial Wagner Act was upheld by the Court. As a result of these precedent-breaking decisions, the states stepped up their legislative activity relative to minimum-wage legislation. With the passage of Texas' first minimum wage law in May of 1969, this made a total of 40 states plus the District of Columbia and Puerto Rico having minimum wage legislation. This means that only 10 states still did not have such legislation. It should be noted that some of the rates provided in existing laws are so low as to make the laws ineffective for all practical purposes.³ As of 1969, most of the states' laws—29—applied to both men and women and also to minors. This has been a

¹ Prentice-Hall, Inc., *Prentice-Hall Labor Course* (Englewood Cliffs, N.J., 1958), pp. 11,053-55.

² *West Coast Hotel Co. v. Parrish* (1937), 300 U.S. 379; 57 S. Ct. 578.

³ Most of the 10 states without minimum wage laws as of the beginning of 1967 were located in the South with a few being in the Midwest. See *Growth of Labor Law in the United States*, U.S. Bureau of Standards, U.S. Department of Labor, Washington, D.C., 1967, p. 69 ff.

national trend since 1945. Three of the state laws were classed as inoperative in 1969 since no minimum wage rates under these laws were currently in effect.

Minimum-wage legislation in the states is of two administrative types. The *statutory* type—28 laws in 1968—features a wage minimum fixed by the terms of the law. The *wage board* variety—12 states in 1968—provides for some discretion on the part of an administrative board in the determination of the wage minimum which must be met by given dates in stipulated industries. Wage floors provided by the states tend to be less generous than those at the federal level, in part because of the restricted coverage of some state laws. State laws which apply to men as well as women and minors come very close to federal minimum-wage standards. As of 1968, the range in state wage floors was all the way from \$1 per hour (11 states with more recent enactments) to \$1.90 per hour (Alaska).

Prevailing Wage Legislation. Closely related to minimum-wage legislation among the states is that known as prevailing wage legislation. Louisiana became the 38th state to enact a law of this variety in 1968. Such laws typically require the payment of prevailing wages on public works and they often also require the payment of prevailing fringe benefits. The various laws differ in scope of coverage as well as to dollar limitations for determining coverage. Thus, it is quite common for the laws to be effective only if the public works contracts come up to a certain stipulated amount. These limits vary all the way from \$1000 to \$25,000. Determination of the prevailing wage rates is left to the labor commissioner in 24 of the 38 states. Other state agencies perform this function in the remaining 14 states, with state contracting agencies often being given this task.

Federal Minimum-Wage Legislation. The federal government entered the minimum-wage law picture in 1931 when the Davis-Bacon Act was passed. This act gives the Secretary of Labor the right to determine prevailing hourly wage rates for given types of labor in given localities. Firms having federal public works contracts either for new construction or for repair must pay at least as high wage rates as have been declared to be prevailing in their respective labor markets by the Secretary of Labor. In determining prevailing wage rates, the Secretary of Labor conducts investigations and holds public hearings periodically. Consequently, the minimum rates thus determined are subject to change.

In 1933, Congress attempted to put a "floor" under wage rates by way of the National Industrial Recovery Act; but it was rather indefinite, and the law was held unconstitutional in 1935. In the following year, Congress enacted the Walsh-Healy Act.⁴ This law empowers the Secretary of

⁴ For a more detailed account of federal laws relating to the contractual activities of the federal government, see Donald R. Herzog, "Labor Laws Applicable to Federal Government Contracts," *Labor Law Journal*, January, 1968, p. 12 ff.

Labor to fix minimum-wage rates which must be paid by any firm with a federal governmental contract for supplies and equipment in excess of \$10,000. In determining the prevailing wage rates for a given locality, the Secretary of Labor makes investigations and conducts public hearings before announcing the minimum rates which must be met by firms with governmental supplies contracts. In a sense, this law is a complement to the Davis-Bacon Act and, like it, results in minimum rates subject to periodic review and possible change without action of Congress.

While the above acts—Davis-Bacon and Walsh-Healy—have applied to increasing numbers of employees as the contractual activities of the federal government have expanded with its growing budget, it was in 1938 that Congress enacted legislation which was really comprehensive in scope. The Fair Labor Standards Act (Wage and Hour Law) of that year was made applicable to employees engaged in the production of goods for (interstate) commerce. Thus, it is the nature of the employee's work which determines whether he is covered by this law, rather than the size or nature of the firm. In borderline cases, however, rulings by the Wage and Hour Administrator are relied upon to determine actual coverage.

The Wage and Hour Law was justified by Congress under the Commerce Clause of the Constitution. It was noted early in the law that commerce becomes the channel for the spread of labor conditions which are detrimental to the health, efficiency, and welfare of workers. Further, it was asserted that unfair methods of wage and employment competition have a tendency to lead to labor disputes which burden commerce. As a result, Congress declared it to be in the interest of the smooth flow of commerce to enact the Wage and Hour Law. Section 6, which deals with the minimum wage, became effective originally on October 24, 1938, and provided for a minimum rate of 25 cents per hour until October 24, 1939; 30 cents per hour was provided as the minimum rate until October 24, 1945; and 40 cents per hour became the wage floor as of the latter date. In 1949 an amendment was added to this section raising the minimum rate to 75 cents per hour, with a rate of \$1.00 per hour established by a subsequent amendment effective as of March 1, 1956. In May, 1961, Congress voted further amendments to Section 6 which provided (1) an increase for those then covered by the minimum to \$1.15 in 1961 and to \$1.25 in 1963; (2) the approximately 3.6 million new workers brought under the law (largely retail and service employees) had a \$1.00 minimum as of 1961, a minimum of \$1.15 as of 1964, and a wage floor of \$1.25 as of 1965,⁵ and (3) for the newly covered employees,

⁵ With the inclusion of about 3.6 million new workers under the Wage and Hour Law, a total of approximately 17.6 million was covered by the law as of 1961. Major groups still not covered were employees of small retail stores; executive, administrative, and professional personnel; agricultural workers; outside salesmen; and employees of nonprofit health establishments.

overtime premium started after 44 hours per week in 1963, after 42 hours per week in 1964, and after 40 hours per week in 1965.

The 89th Congress initiated still more sweeping changes in the Wage and Hour Law in September, 1966, including the following: (1) For the 29.5 million workers already covered by the law as of 1966, the minimum was raised from \$1.25 to \$1.40 as of February 1, 1967, and then to \$1.60 as of February 1, 1968; (2) For nearly 7.5 million newly covered nonfarm workers, a minimum rate of \$1.00 was set beginning on February 1, 1967, with annual increments therein of 15 cents per year until the minimum reaches \$1.60 by February 1, 1971; (3) For almost 400,000 newly covered farm workers, a minimum of \$1.00 was provided as of February 1, 1967, which was to advance to \$1.15 on February 1, 1968, and then to \$1.30 on February 1, 1969. Total wage increases implicit in these changes amounted to about \$7.7 billion spread over the five-year period, 1966-71. By 1969, approximately 44.6 million employees came under the Wage and Hour Law. Some new groups covered included workers on larger farms; employees of hospitals and nursing homes; nonteaching employees of elementary and secondary schools; and many employees of hotels and motels. As of 1969, perhaps only about 11.8 million employees were still uncovered by the law.

It should be noted that the 1961 amendment added "enterprise coverage" to the original "employee coverage" noted above. That is, in determining whether employees are covered by the law, if the enterprise employing them has (1) *some* employees who meet the employee coverage test, and (2) if the enterprise falls within one of five specified categories of enterprises and meets certain conditions applicable to that category, then the employees of said enterprise come under the law's provisions. This approach to the determination of coverage has enlarged the scope of the law appreciably. The scope of coverage was further increased by the 1966 amendments which lowered the volume-of-business test for enterprises covered from \$1 million per year to \$500,000 per year as of February 1, 1967, and to \$250,000 per year as of February 1, 1969. Laundry and cleaning and construction firms are now covered without regard to the volume-of-business test.

The State of Maryland and 27 other states challenged the Wage and Hour Law amendments on constitutional grounds due to the fact that coverage was thereby extended to *state*-operated hospitals and schools. On June 10, 1968, however, the United States Supreme Court held the amendments in question as constitutional.⁶ Consequently, many hospital employees in state hospitals and many nonteaching employees in schools operated by the states now come under the law's canopy.

⁶ *Maryland v. Wirtz*, (U.S. Sup. Ct., June 10, 1968).

While the above three laws—Davis-Bacon, Walsh-Healy, and Wage and Hour—have constituted the principal wage legislation of the federal government, it should be noted in passing that another brief law—the Copeland (Kickback) Law of 1934—has also been applicable under certain conditions. This law prohibits the rebate of legally required wages or any portion thereof by the employee to the employer or his agents in connection with governmental contracts for the construction of public works or the repair of buildings, or in connection with public works financed in part by federal loans or grants. This enactment was designed to make effective the “prevailing wage” provisions of the Davis-Bacon Act.

Economic Effects of Minimum-Wage Laws. Ever since the discussion and passage of minimum-wage legislation began, there have been numerous arguments concerning the economic consequences of such legislation. Opponents of such legislation have frequently argued that (1) such legislation may result in pushing the wages of many workers above their marginal productivity and can only lead, therefore, to rising unemployment; (2) the increase in production costs occasioned by such legislation may merely take the form of inflation in the prices paid by consumers; and (3) raising wage rates artificially in the low-wage areas will tend to slow down or even prevent the desirable movement of industry to such areas. On the other hand, proponents of minimum-wage legislation have frequently contended that (1) fewer employees would be adversely affected by involuntary layoffs than would be benefited by the wage increase; (2) business and employment will not be deterred from continuing to move, over the long run, from the less efficient to the more efficient firms, and, in fact, the movement may be stimulated by the cost pressure exerted by the legislation on marginal firms; and (3) since some labor “exploitation” does exist due to the immobility of labor, minimum-wage legislation may perform some service in aiding the lowest paid employees to secure a wage closer to what they could have expected under conditions of perfect competition.

Since World War II, the Department of Labor has conducted periodic studies of the effects of raising the minimum-wage rate from 40 cents to 75 cents in 1949 and from 75 cents to \$1.00 in 1956. With respect to the first change, the general conclusions were that little unemployment resulted from it. A few marginal firms were forced to close down, but most firms adjusted by increasing their operating efficiency. These conclusions were often challenged because of the occurrence of the Korean War between 1950 and 1952, which resulted in generally inflated prices and wages, more or less obscuring the effects of the new minimum-wage rate.

Between March, 1956, and March, 1958, the Department of Labor

studied seven comparatively small labor market areas in the South to ascertain the economic effects of the new \$1.00 rate.⁷ This study disclosed the following developments with respect to the seven areas:

1. Between February and April, 1956, average pay levels rose markedly in industries coming under the Wage and Hour Law.
2. Between April, 1956, and April, 1957, noncovered industries experienced a greater increase in average pay levels than did the covered industries.
3. During the period just noted, the concentration of workers at the \$1.00 per hour pay level declined somewhat.
4. In noncovered industries the percentage of workers getting less than \$1.00 per hour declined slightly.
5. Most employers reported they had made adjustments to the new minimum rate other than that of the discharging of workers.
6. The adjustments made consisted of increasing product prices where possible, and offsetting the higher rates by controlling overtime work, setting higher production standards, utilizing more rigid hiring and layoff practices, reorganizing plant layout for greater efficiency, and redesigning product and installing laborsaving machinery.

It should be noted that employers often indicated that some of these changes were part of a long-run program toward a more efficient plant and not just a result of the minimum-wage increase.

Thus, the overall conclusion indicated by the above study would seem to be that raising the minimum wage rate from 75 cents to \$1.00 per hour did not result in the wholesale laying off of workers in markets most affected. It should be pointed out, however, that 1956-58 was a period of general prosperity with high-level employment and with a slowly rising consumer price index. It is possible that some of the dynamic changes going on under such conditions served to cloud the actual effects of the minimum-wage increase. In all, over 2 million workers experienced pay raises when the minimum wage rate was moved to \$1.00. Most of the workers involved were employees of southern firms. It is probably safe to say that any relative wage gains scored by the lowest paid workers as a result of an increase in the minimum-wage rate are temporary in duration. While the immediate effect of boosting the lowest wage rates by statute is to narrow wage differentials within firms and industries, the wage differentials which existed prior to the increase in the minimum rate are often restored within one or two years' time. It is

⁷ Louis E. Badenhop, "Effects of the \$1 Minimum Wage in Seven Areas," *Monthly Labor Review*, July, 1958, pp. 737-43. The seven areas studied were Athens, Georgia; Hickory, North Carolina; Meridian, Mississippi; and Sunbury-Shamokin-Mt. Carmel, Pennsylvania.

well known that an increase in the statutory minimum-wage rate is often used by labor organizations as a justification for similar raises all the way up the pay schedule, so that their middle and higher income members will not suffer from a shrinkage in wage differentials.

In studying the effects of the increase in the minimum wage which occurred on February 1, 1957, Professor Yale Brozen of the University of Chicago noted that they included a sharp increase in teenage unemployment; an increase in the amount of poverty in the nation; and an increase in unemployment for women and the elderly.⁸ Other observations noted that some workers were replaced by machines, some were forced to work harder, and numerous prices were increased as a result of the increase in the wage minimum.⁹ Again, however, the real effects were difficult to pinpoint as the economy moved to ever higher levels of employment while the overall unemployment percentage went to 3.3 percent late in 1968 for the lowest level since the end of World War II. Professor Leibenstein contended in 1966 that there is much in the view that firms are never really as efficient as they could be. Hence, a major effect of an increase in the minimum wage is probably a forcing of a higher level of efficiency upon a firm rather than a wholesale laying off of its employees.¹⁰

Regardless of the rise and fall of the debate over the effects of minimum wage legislation, it is probably very securely ensconced in the nation's law books and may well see further liberalization. In this vein, retiring Secretary of Labor, Willard Wirtz, recommended that the federal minimum be raised to \$2 per hour beginning with 1971 and that it be made applicable to every worker in the United States with no exemptions whatsoever. Since this recommendation was made in 1969 as the Johnson Administration was leaving office and the Nixon Administration was succeeding to office, the chances of its being immediately adopted verbatim were somewhat reduced.

Methods of Wage Payment Laws

In addition to the insertion of floors under wage rates, both federal and state governments have passed laws relative to the methods of wage payment or to insure the eventual receipt of wages by the worker.

Federal Provisions. Under the Wage and Hour Law of 1938, scrip, tokens, credit cards, "dope checks," coupons, and similar media are

⁸ See "Minimum-Wage Law Has Increased Poverty," *U.S. News & World Report*, February 5, 1968, p. 72.

⁹ See "Effects of Higher Minimum Wage: What a Nationwide Survey Shows," *U.S. News & World Report*, February 26, 1968, pp. 79-80.

¹⁰ Harvey Leibenstein, "Allocative Efficiency," *American Economic Review*, June, 1966, p. 392 ff.

prohibited as unlawful means of wage payment. Many of these devices were associated with the old "company town" and represented means whereby workers could get an advance on wages not yet due. The scrip or tokens were usually redeemable at face value in company stores only and were subject to appreciable discounts at other places of business. The Wage and Hour Law, as interpreted, also prohibits "kickbacks" to the employer of wages received by the employee.

The Miller Act of 1935 applies to all contracts over \$2,000 between the federal government and private firms for the construction, alteration, or repair of any public building or public works of the United States. On all such contracts, the prime or major contractor must furnish two bonds: (1) a performance bond protecting the United States government and (2) a payment bond to protect laborers and materialmen who may have claims arising under the contract. If such claims are not paid within 90 days after the last day worked or after the last day on which materials were furnished, the laborers and/or materialmen can sue on the contractor's payment bond for the amounts due. The suit must be started at least within one year's time from the last day on which work or materials were furnished. Workers and materialmen of subcontractors are likewise protected under the Miller Act.

State Laws. As of 1967, all states except Florida and Georgia had wage payment laws in effect. Florida had never enacted such a law and Georgia's law had been ruled unconstitutional. The most common provision in such laws is that requiring regular paydays, as all but two state laws require wages to be paid within a stipulated time—two weeks being the most common pay period. About two thirds of the state laws require wages to be paid in lawful money and insist on prompt payment of wages to a discharged worker. About half the laws require prompt payment, also, to a worker who has resigned his job. In most states, coverage of wage payment laws is limited, with customary exemptions being agricultural workers, domestic servants, and public employees.

One of the earliest of state substantive laws is the mechanic's lien law, which is found in every state today. This type of legislation, which was advocated by the platforms of the workingmen's parties of the 1820's, dates in many industrial states from the mid-1800's. Mechanic's lien laws have the effect of protecting the interests of workmen and materials furnishers in construction projects. Such interested parties are given a lien on the construction property. In the event of the employer's bankruptcy, the claims by workers and materialmen are given priority and must be honored in full before the claims of creditors can be honored.

WORKING HOURS LEGISLATION

Ever since the early part of the 19th century, labor organizations have tried to reinforce their internal activities for shorter working hours by

legislation designed to limit the length of workday or work week. Contrary to the minimum-wage law development, where states anticipated the federal government, the central government has led the way in the enactment of working hours legislation. Even at present, working hours legislation is much more detailed at the federal level than it is at the state level.

Federal Legislation

The regulation of working hours by the federal government dates back to 1840, when President Van Buren established by executive order a 10-hour day in governmental Navy yards. In 1868, Congress lowered working hours in Navy yards to eight per day. Twenty years later, employees in the U.S. Government Printing Office, as well as mail carriers, were put on an eight-hour working day by Congress. In 1892, the eight-hour day was extended by Congress to all workers and mechanics employed by the federal government. In 1912, the eight-hour day was prescribed by Congress for all workers employed by firms having governmental contracts. In 1907 and in 1916, Congress enacted hours legislation for railway workers, with the 1916 act—the Adamson Act—setting up the eight-hour day for interstate train service employees.¹¹

The most recent and by far the most comprehensive regulation of working hours by the federal government is to be found in Section 7 (a) of the Fair Labor Standards Act, or Wage and Hour Law. This provision does not set an absolute ceiling on working hours per week, but requires the employer to compensate employees who work longer than 40 hours per week at one and a half times their basic pay for the hours in excess of the normal 40 hours. Numerous rulings have been issued by the Wage and Hour Administrator to define “hours worked” since the law was enacted. Hence, the student wishing to ascertain the full implications of the legislation must go far beyond the law’s provisions as originally enacted.

Numerous exceptions to the “working hours” provisions in the Wage and Hour Law were provided by the enactment. Included among the exceptions are employers under agreement with representatives of employees providing for a limit of 1,040 hours in 26 weeks; employers under a similar agreement providing for a guaranteed amount of yearly work between 1,840 and 2,080 hours, with a limit on all work of 2,240 hours; employment for a period of up to 14 weeks in a highly seasonal industry, such as canning; employees under the jurisdiction of the Interstate Commerce Commission; employees of aircraft carriers; employees of fish canneries; outside buyers of poultry, eggs, cream, or milk; and newsboys.

The final federal law to be here considered as regulating working

¹¹ *Prentice-Hall Labor Course*, p. 7012.

hours is the so-called "Eight-Hour Law," which is today really made up of several enactments. These several enactments regulate the hours of "laborers and mechanics" employed directly by the federal government or by contractors in performance of governmental contracts. The provisions of these enactments no longer set a ceiling of eight hours per working day for employees of firms with governmental contracts, as they once did; rather, they require that time-and-a-half wage rates be paid for all working hours in excess of eight per day. The eight-hour ceiling is still applicable, however, to workers employed directly by the federal government. One exception to this rule exists; in time of national emergency the President is empowered to lift the eight-hour ceiling temporarily. Since the Eight-Hour Law covers no one except "laborers and mechanics," it supplements the Davis-Bacon Act, with the latter prescribing minimum rates of pay, as noted earlier, and the Eight-Hour Law governing overtime rates of pay. It should be noted, too, that the Eight-Hour Law does not apply to governmental contracts for the purchase of supplies and materials.¹² These contracts come under the aforementioned Walsh-Healy Act. This act provides for the payment of time-and-a-half rates for hours in excess of eight per day or 40 per week, whichever computation would produce the higher figure.

Thus, in summarizing the effects of federal hours legislation, it may be concluded that while the federal government does not *forbid* hours in excess of the legislative norm, the effect of the imposition of premium rates of pay is to keep working hours from rising very far above the norm for the vast majority of firms most of the time. Only in periods of booming prosperity or of all-out war will the average firm find its markets justifying the payment of premium wage rates.

State Legislation

State legislatures have not tried to impose the general limitations upon working hours which have been observed in federal legislation. Most state laws are limited in coverage to women and children, or to male workers in hazardous employments. Many states have regulated working hours in industries such as the railway industry, where fatigue on the part of the worker would endanger the health and safety of the public. Ohio enacted the first hours law in 1852, when it limited working hours for women employees to 10 per day. Massachusetts, in 1879, limited by law working hours of female employees in manufacturing or mechanical establishments to 10 per day.¹³ At present, over 40 states have similar legislation, with the several laws varying widely as to working hours

¹² Commerce Clearing House, Inc., *Labor Law Course*, 1964 (Chicago, 1963), p. 6178.

¹³ *Prentice-Hall Labor Course*, pp. 7017-18.

limits. Some of the limitations found on working hours of women in the states include those setting maximum daily hours from 8 to 10 hours as well as those setting maximum weekly hours all the way from less than 48 to as high as 60 as of 1968. Practically every state limits the hours of lawful child labor in such a manner as to protect the child's chances for securing his education and/or to safeguard the health and safety of the growing child. The first eight-hour law passed for children in this country was that of Illinois, which was enacted in 1903.

A relatively recent development in the regulation of working hours by states is that having to do with the provision of voting time for workers. Most states today prohibit the employer from interfering with the employees' right to vote or from influencing the votes of employees. Most states also require the employer to give his employees definite time off for exercising the voting franchise. The statutory time thus provided varies among states from one to four hours. Some of the laws require the employer to give the worker as much time off as is needed to go to the polls to vote. As of 1968 there were 30 states with time-off-for-voting laws with 19 states providing for *paid* time off for voting. Recently, however, such laws—in 12 states—have been modified so that paid time off must be granted by the employer only if there is insufficient time outside working hours for employees to vote. States having laws relative to time off for voting are scattered throughout all sections of the country, with both agricultural and industrial states having such laws.

WORKING CONDITIONS LEGISLATION

Substantive legislation relative to working conditions is found at the state level alone. State laws of this type deal, for the most part, with safety and sanitation in the workplace. Every state has industrial safety legislation to some degree. Some state safety laws apply only to specific industries which are considered especially hazardous. In this connection, there are numerous state laws requiring mine and/or factory inspection by state authorities; some states have enacted similar navigation laws. Other states have laws which are more general as to coverage.

Safety laws in the states vary in scope all the way from those prescribing the use of certain safety devices, such as guards for dangerous machinery, to laws which go so far as to set minimum building standards. In many states, safety laws may prescribe temperature ranges within which the temperature of the workplace must be maintained. Still other enactments attempt to insure good ventilation, lighting, and a minimum of noise in the place of work. New York provides by law that the workplace must be ventilated by natural and mechanical means. Some industrial states stipulate humidity tolerances which must be observed, as well as those for temperature. Still other state laws provide

that dust, gases, fumes, and the like which occur in large enough quantities to injure health must be carried from the workplace by devices such as fans, hoods, and other approved devices. A frequent legislative provision is that requiring that free access to fire escapes be available to all workers in the plant. In some industrial states where industrial homework has been common, such as the state of New York, legislative regulations of the conditions under which such work may be carried on are common; frequently, the state requires permits to be secured from the state before industrial homework can be scheduled.

Administratively speaking, some state laws of general nature leave the details of their enforcement up to the administrative agency in charge of the law's execution. Inspection visits to mines or plants are usually either in the nature of regularly scheduled yearly visits or on an unscheduled basis.

Sanitation laws of the several states vary in nature, just as do the safety laws. State laws in this category require separate sanitary facilities where both sexes are employed. Some states provide that manufacturing and business firms must furnish fresh drinking water for employees.

A reflection of modern life has been the increasing concern on the part of state legislatures with radiation hazards. Thus, by 1968 all states had enacted laws to control such hazards. Such laws generally include provisions concerning licensing requirements, recordkeeping requirements, and the creation of some regulatory body for the drawing up of rules and regulations as they become necessary or desirable.

LAWS PROTECTING UNORGANIZED MINORITIES

Ever since the mid-1800's, the state legislative assemblies of this country have been motivated from time to time to pass legislation designed to augment the bargaining strength of certain groups considered to be at a disadvantage in the labor market. Until quite recently, female employees and child laborers were the principal recipients of such protection. In the years since World War II, another group—racial minorities—has been added to those afforded special protection by substantive legislation at the state level. The federal government—until the 1960's—confined its legislative efforts in this area largely to the protection of children, leaving the protection of female employees and minority racial groups to the states. Finally, however, Congress passed a law in 1963 pertaining to women in the labor market and another law in 1964 dealing with minority racial groups.

Child Labor Legislation

As a result of long working hours and deplorable working conditions for children as young as 5 and 6 years of age in both England and this

country, child labor legislation was introduced and eventually passed by the English Parliament and the state legislatures of this country in the first half of the 19th century.

Massachusetts and Connecticut became the first states to legislate in this area in this nation when, in 1842, they prohibited the employment of children under age 12 for more than 10 hours per day. In 1848, Pennsylvania went much farther in setting the minimum legal age for *commercial* employees at 12. In the following year, this minimum age was raised to 13.

From these early beginnings have finally come child labor laws of some sort in all states, laws which have usually had the support of state judicial bodies. Justified under the police powers of the states, present state laws in this category tend to set a 16-year minimum age for factory work and all work during school hours; to provide for an 18-year minimum age for hazardous work; to establish a 40-hour week for children at least under 16; to limit working time outside school hours for children still in school; to prohibit night work especially for younger children; and to authorize the appropriate state agency to determine what constitute hazardous jobs. Most states require children below certain age limits to have employment certificates from their school board or superintendent before they may accept certain types of employment.

The general result of child labor legislation enacted by states between 1900 and 1930 was to decrease considerably the incidence of child labor in comparison with the level thereof prior to World War I. It is probably safe to say, however, that all too often, child labor laws have been characterized by varying degrees of laxity as to their enforcement. Compulsory school attendance laws, which exist in every state except Mississippi and South Carolina and typically require school attendance up to age 15 or 16, have probably been more successful in curbing child labor than the child labor laws per se. During World War II, however, both child labor and compulsory school attendance laws proved incapable of preventing large-scale sacrificing of school for employment on the part of many high school students. The incidence of child labor has dropped since 1945, but it is undoubtedly higher than it was during the depression 1930's. Powerful arguments have been advanced during recent years of scarce labor favoring a reexamination of child labor laws. Arguments have included those pointing to easier, safer operations in many plants, the shorter work week, the lack of constructive work around the home for children in an urban setting, and the possibility that increased employment of children might be one remedy for the problem of juvenile delinquency. Thus far, however, the states continue to maintain and enforce child labor laws and compulsory school attendance laws. Employment of young people on part-time jobs after school hours and during summer vacation periods has shown some tendency toward greater prevalence. The latter years of the 1960's have witnessed some

states relaxing their child labor laws somewhat. For example, some states now permit children between 16 and 18 to work in restaurants after school hours until midnight as opposed to 10 P.M. a few years ago. Some states have lowered the minimum age for certain kinds of child labor such as caddying on golf courses. On the other hand, most states have tightened regulations of child labor in so-called hazardous employments.

Labor organizations have aided many other interested groups in the war against child labor. Unions have had two principal motivations in this endeavor. First, they have had often an extreme interest in raising the educational level of working-class children so as to enable as many as possible to "escape" from working-class confines for their own economic benefit. Secondly, and perhaps less altruistically, labor unions have traditionally considered children in the labor market as a drag on union wage and working condition standards and, in times of depression, as cut-rate competitors for the scarce jobs desired by adult heads of families. Thus, in part, the labor unions' campaign for the abolition of child labor has been waged to forestall what they have considered to be unfair competition from unorganized, inexperienced, and uninformed bargainers in the labor market. Still another motivation has existed for many unions in the desire to protect and improve the overall health and life expectancy of the union membership, a goal which it was felt could be aided by keeping young children at home and/or in school.

Employers have often fought just as spiritedly against child labor laws. Many employers were motivated by an honest belief in the benefits of employment for children which would keep them off the streets and "out of mischief." All too often, however, it has been the employer's desire to secure "cheap," docile labor which has moved him to oppose child labor legislation. In some of the full-employment years since 1941, of course, the sheer scarcity of labor has been a factor in the employer's position relative to this issue.

Federal Legislation. The first attempt to regulate or eliminate child labor on the part of Congress was made in 1916. In that year a law was enacted making it unlawful for a producer or dealer to ship in interstate commerce any goods which had been produced with the aid of child labor. Child labor was stipulated in the law as consisting of (1) any person under 16 working in a mine or quarry; (2) any person under 14 employed in a mill, cannery, shop, or factory; and (3) any person between ages 14 and 16 at work in a mill, cannery, shop, or factory for more than eight hours per day, six days per week, or between the hours of 7:00 P.M. and 6:00 A.M.¹⁴ This law, however, was ruled unconstitutional by the Supreme Court in 1918.¹⁵ Thus, Congress failed in its initial

¹⁴ *Prentice-Hall Labor Course*, pp. 7013-14.

¹⁵ *Hammer v. Dagenhart* (1918), 247 U.S. 251; 38 S. Ct. 837.

attempt to regulate child labor under the Commerce Clause of the Constitution.

Next, Congress turned to its taxing power as a possible means for the regulation of child labor. In 1919, a law was passed imposing a 10 percent tax on a year's net profits of any firm guilty of employing children illegally. This tax was appended to the National Revenue Act of 1919. Age limits set in the 1916 law were retained in this enactment. In 1922, however, this venture by Congress met the same fate at the hands of the Supreme Court that the 1916 law had suffered.¹⁶ So, as a result, Congress discovered it could not justify in the opinion of the Court the regulation of child labor under the taxing powers granted Congress by the Constitution.

Having failed to find a provision in the Constitution under which it could justify the regulation of child labor, Congress quite logically in 1924 attempted to have the Constitution amended. The child labor amendment to the Constitution which was proposed by Congress in 1924 has never been ratified by the requisite three fourths of the states. Only 28 states to date have approved this amendment after more than four decades of consideration. For some years now, it has been a moot question whether the child labor amendment could actually ever be ratified, in view of the time which has elapsed since its proposal. It is not likely that this question will ever have to be answered, however, because Congress incorporated the regulation of child labor in the Fair Labor Standards Act of 1938, the provisions of which have been upheld by the Supreme Court. It is noteworthy that this entire enactment was justified by Congress under the Commerce Clause of the Constitution, the same clause under which the first unconstitutional child labor law of 1916 had been justified. Needless to say, the predominant economic and political attitudes of the nation and its courts had undergone considerable change between 1916 and 1938.

Section 12 (a) of the Fair Labor Standards Act prohibits the use of "oppressive child labor." Section 3 (1) of the law defines "oppressive child labor" as follows: (1) Children aged 16 to 18 may not be employed in "hazardous" occupations as defined by the Wage and Hour Division; (2) children under age 16 are not allowed to work on goods to be shipped in interstate commerce unless (a) the child is employed by a parent or guardian in industries other than mining and manufacturing or those declared by the Wage and Hour Division to be "hazardous," and (b) the child is 14 or over and has a temporary permit to work from the Department of Labor. It should be noted here, in passing, that the Department of Labor will not issue temporary permits for many types of employment such as mining, manufacturing, or operating of hoisting

¹⁶ *Bailey v. Drexel Furniture Co.* (1922), 259 U.S. 20; 42 S. Ct. 449.

apparatus and most power-driven machinery. Permits also will not be issued for the operation of motor vehicles, employment in the public messenger service, for any work during school hours, for more than three hours per school day or 18 hours per school week, or for more than eight hours per day or 40 per week during a nonschool week. Permits will be issued for the distribution of newspapers only between the hours of 6:00 A.M. and 8:00 P.M. from April 1 to September 30, and from 7:00 A.M. to 7:00 P.M. during all other months.

Further, the Fair Labor Standards Act originally provided that if, within 30 days before the shipment of any goods in interstate commerce, "oppressive child labor" has been utilized, the shipment cannot be made—whether the child or children actually worked on the goods in question or not. An amendment to the law in 1949—Section 12 (*c*)—made it illegal to employ and use "oppressive child labor" in commerce or in the production of goods for commerce. Thus, this amendment constitutes a direct ban of such child labor. Two exemptions from the child labor provisions are stipulated by the law: (1) minors working in agriculture outside school hours and (2) minors working as actors in motion pictures or theatrical productions.

Laws Protecting Women as Employees

In addition to laws requiring special working conditions for female employees, discussed in a previous section, 29 states enacted protective wage legislation for women between 1942 and 1968. Designated as "equal pay laws" and supported by dominant AFL-CIO organizations, these enactments have sought to prohibit the exploitation of female employees by requiring that wages of equal amount be paid to male and female employees alike where the work performed is of equal and comparable nature. Two questions of interest arise in connection with such legislation. First, there is the question as to just what constitutes equal or comparable work as between the two sexes, a question which has made such legislation extremely difficult to enforce. Second, have labor organizations, through their support of such legislation, really sought to protect female employees or to foster the employment of adult male union members by relying upon the employer's preference for same if he is required to pay equal wages to otherwise less desirable female employees?

After many unsuccessful attempts to legislate an equal-pay law at the federal level, Congress in June, 1964, extended the Fair Labor Standards Law to provide such protection for about 7.5 million female employees covered by that law as of 1964. Employers with employees covered by the minimum wage provisions of the Fair Labor Standards Act must pay men and women equal wage rates for "equal work" on all jobs demand-

ing “equal skill, effort and responsibility and which are performed under similar working conditions.” Considerably more women are protected by the law today than in 1964 since at first only employers of 75 or more persons were covered by the law. As of July 1, 1968, the law automatically was extended to cover all employers of 25 or more persons.

Racial Minorities and FEPC Laws

Racial minorities have been afforded special legislative protection in economic matters in a minority of jurisdictions since 1943. In general, labor organizations have not been the principal motivating agent in this development, since several of them, notably craft unions, have until recently engaged in racial segregation and discrimination on their own all too often. With the coming of industrial unions, however, many such labor groups have worked with other organizations seeking economic and political equality for racial minorities with the aid of legislation. Many craft unions have moved in the direction of racial tolerance since World War II.

Federal Measures. It is noteworthy that while the stimulation for fair employment practice laws originated at the federal level, Congress was not able to take action in this area until July, 1964.¹⁷ Instead the stimulus was provided by an Executive Order issued by President Roosevelt in May, 1943, whereby he established the first federal Fair Employment Practice Committee. Aimed at securing maximum cooperation of all groups in wartime production, this Committee was authorized to investigate complaints of racial discrimination in employment and to take steps to remove such discrimination.

Although the first federal FEPC came to an end with the termination of World War II, it was revived by President Truman during the Korean War in 1951. In 1953, President Eisenhower renamed the agency the Government Contract Committee. As it existed under this name in 1960, it sought through the contracting power of the federal government to assure equal treatment of races, creeds, and nationalities employment-wise by firms holding contracts with the federal government.

The Civil Rights Law of 1964 includes the following provisions: (1) an employer may not lawfully discriminate against a job applicant or an employee on the basis of race, color, religion, sex, or national origin; (2) every individual may enjoy “full and equal” utilization of places of public accommodation; (3) the Attorney General may initiate suits to ban massive resistance to integration when found in a locality; (4) the Attorney General may sue for the desegregation of certain public facili-

¹⁷ The Civil Rights Law was passed by Congress on July 2, 1964, and was signed by President Johnson on the same day.

ties such as parks, schools, and libraries, and he may file suits against boards of education to speed integration of schools; (5) the finding of discrimination in any federally assisted program may result in the cutting off of such assistance; and (6) in states requiring a literacy test for voters, the successful completion of the sixth grade in school is presumed to assure sufficient literacy for voting.

The fair employment practice sections of the above law apply to employment agencies and to labor unions as well as to employers. Coverage of employers was provided as follows: employers of 100 or more workers to be covered by 1965; employers of 75 or more workers to be covered by 1966; employers of 50 or more workers to be covered by 1967; and employers of 25 or more workers to be covered by 1968. Administering the law is a five-man Equal Employment Opportunities Commission appointed by the President for five-year terms with only one man's term expiring each year. As in the case of state FEP laws discussed below, enforcement problems loom as sizable for the federal government. Shortly after the law's passage, the provision relating to the desegregation of places of public accommodation was tested in the courts with a Federal District Court holding the provision unconstitutional. In December, 1964, however, the Supreme Court reversed the lower court and upheld the provision's constitutionality.

State FEP Laws. Beginning with New York and New Jersey in 1945, some 36 states had enacted FEP laws by 1968. In addition, 31 states had enacted provisions banning racial discrimination in places of public accommodation. All sections of the nation are represented in the FEP group with the exception of the deep South.¹⁸ The laws are justified by state legislative assemblies under the states' police powers, with the stated purpose being that of affording persons equal treatment in employment regardless of race, color, creed, or national origin. Twenty-two states now also prohibit discrimination in employment based solely upon age, with Alaska's enactment being the only one as of 1967 to protect workers *over* age 65 from such discrimination. Almost without exception, state FEP laws apply equally to employers, employment agencies, and labor unions.

Although numerous bills have been introduced in many other state

¹⁸ See Chester A. Morgan, "An Analysis of State FEPC Legislation," *Labor Law Journal*, July, 1957, p. 469 ff. See also "The Changes in the Civil Rights Bill," *U.S. News & World Report*, June 1, 1964, pp. 46-47. Also, *Growth of Labor Law in the United States*, Bureau of Labor Standards, U.S. Department of Labor, 1967, pp. 221-53. Twelve states are located in the East (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont and West Virginia); ten states are located in the Midwest (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, and Wisconsin); thirteen states are located in the West (Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming); one state is located in the upper South (Kentucky). Additionally, Washington, D.C. has such a law, as does Puerto Rico.

legislative bodies since 1945, most of these bills have failed to win the requisite support. There is some doubt, too, as to just how successful the laws have been in minimizing racial discrimination, with some evidence that the laws are either laxly enforced or acknowledged by covered parties in a token manner. So it would appear that the debate will continue to be waged over the respective merits of slow, gradual processes of education versus the force of legislation.

Reflecting the ancient controversy as to whether racial discrimination can best be eliminated by the slow process of education or by the force of governmental prosecution, both of these approaches are found in the FEP laws. As many as eight states have at one time relied solely on the educational approach, with only Oklahoma remaining in this category as of 1967 and that state changed its law to an enforceable one in 1968. Today the laws, while incorporating the educational approach, also provide for the filing of complaints, holding of hearings by the FEPC, and the issuance of cease-and-desist orders enforceable in the courts against offending parties. Experience to date would seem to indicate that the educational approach alone is relatively ineffective—at least, in the short run. From 1953 to 1960, for example, the Kansas Commission was able to persuade only one employer to make an adjustment.

In addition to the growing number of state FEP laws, as of 1967, at least 200 cities had enacted FEP ordinances. Several of these cities were located in states not yet possessing a law of this variety. By 1967, however, most states in which there were cities with FEP ordinances had passed state FEP laws.

It should be noted that in 1969 a new federal law became effective—the Age Discrimination Act of 1967. Under this law's provisions an employer may not discriminate against anyone just because his age lies between 40 and 65. No protection is afforded those over 65. Some 18 million employees in some 350,000 firms are probably under the protection of this law at least.

In regard to the enforceability of Fair Employment legislation, a nationwide survey made by the Bureau of National Affairs, Inc. in 1967 showed that 57 percent of the companies had increased their employment of Negroes since the passage of the Civil Rights Act of 1964, while 33 percent indicated they had increased their employment of women. Almost a third of the firms stated they had changed their hiring policies since the Act became effective. It still remains to be determined, however, just how large the increased hirings were (possibly some tokenism) and how many of them were really attributable to the Act's provisions.

ECONOMIC SECURITY LEGISLATION

One of the most popular types of substantive labor legislation enacted this century is that of economic security legislation; that is, legislation

designed to protect industrial workers from the costs of occupational disease, industrial accidents, and involuntary unemployment, and to provide a foundation, at least, for income after retirement. Both the state legislatures and Congress have been active during this century in this area. One of the inevitable by-products of this has been a rather disconnected and sprawling social security program.

Basic to the legislative endeavors in this area has been a gradual but inexorable shift in the societal attitude concerning the rightful resting place of responsibility for economic insecurity. Prior to industrialization, the predominant attitude in the typical agricultural economy is one which allocates responsibility for most economic insecurity to the individual or to the family. As industrialization progresses and the individual loses some of the control over his economic affairs, a loss which flows naturally from the new and interdependent methods of specialized production, there is a tendency for the burden of economic insecurity to rest in part upon groups outside the family. At first, churches or other charitable agencies shoulder some of the burden; later, the town, city, or county may make provision for unemployment relief and the maintenance of poorhouses or poor farms. Finally, the state and the central governmental units are brought into the picture as the problems of economic insecurity assume state-wide and nationwide importance. The end result of this evolutionary development is the setting-up of some kind of *social security* program, which really involves the replacement or at least the supplementation of individual or family security with large group or societal security. Such has been the experience of every free enterprise industrial nation to date; it has not been peculiar to any one country or to any grouping of such nations. The various major legislative provisions for economic security on both state and federal levels in the United States will now be briefly outlined.

Compensation for Industrial Accidents

Prior to this century, it was the generally accepted philosophy that the individual worker (and/or his family) should bear the costs of any accident suffered by him on the job. The economic rationale which was used to justify this philosophy was rooted in Adam Smith's 18th-century observations on wage differentials, which asserted that wage rates tend to compensate for excessive danger on the job, other things being equal. Further, it was maintained that since the worker possessed freedom of contract, he was not forced to accept dangerous work; consequently, when he did accept such work, he simultaneously accepted the risks and the income which went with it.

Under the common law in England and the United States, the employer was expected to maintain a reasonably safe working place; if this

was done, the employer was generally absolved from liability for industrial accidents. If the injured employee could prove in court, however, that the employer had been negligent, he might conceivably force the employer to assume part of the costs involved. The employer, however, went into court much stronger than the injured worker in a number of ways. First, he usually could employ legal counsel superior to that which the employee could afford. Second, the employee found it difficult to secure fellow employees brave enough to risk their employment by the testifying in court against the employer. Finally, the employer was provided with three iron-clad common-law defenses in the courtroom. The doctrine of *contributory negligence* often enabled the employer to escape liability by proving that the injured worker had contributed through his own carelessness to the accident's occurrence, regardless of how careless the employer may have been. Under the *fellow servant* rule the employer could frequently escape liability by proving that a fellow employee had either caused or helped to cause the accident to take place. Finally, the catchall *assumption of risk* doctrine could be used by the employer when all else might fail. Under this doctrine the employer could usually prove that the worker knew of the risks associated with the job and that when he took the job, he assumed all the risks pertaining thereto as well as the rewards thereof. In view of these defenses and other factors, it is not surprising to learn that the vast majority of injured workers bore most of the costs of any injuries suffered. At best, there were occasional out-of-court settlements of small, flat payments.

As industrialization progressed, job-oriented accidents increased rapidly as to severity and frequency. Further, it became apparent to many observers that wage rates could not be depended upon to compensate for the risk of life and limb in most dangerous employments. Thus, gradually, the old philosophy began to give way to a new philosophy, which sought to spread the responsibility for the costs of industrial accidents over a wider base.

The first step was the passage by many nations in the latter part of the 19th century of *employer liability* laws. Under these laws the common-law court defenses provided for employers were either weakened or eliminated, with the result being a somewhat better chance for the injured worker to collect damages in court *if he could prove negligence on the part of the employer*. The results were unsatisfactory, however, because of the reluctance of the employee to go to court, the inadequacy of damages awarded on average, and the animosity which was created as each party tried to prove the other at fault in the courtroom.

Inevitably, employer liability laws gave way to *workmen's compensation laws*, which were enacted in Europe and England first.¹⁹ During the

¹⁹ Germany passed the first compulsory workmen's compensation law in 1885.

second decade of this century, states of this nation enacted similar legislation. Workmen's compensation laws involved a still more revolutionary philosophy than had been embodied in the employer liability laws. Briefly stated, the philosophy held that the price of the product should cover all costs of its production, including the costs of industrial accidents. Since the employer was in a strategic position both to minimize production hazards and to pass the costs thereof to the consumer, he should be required to insure his workers against industrial accidents. Although the employer would pay the cost of such insurance initially, it was assumed that the ultimate resting place would be on the consumer of the product. The incentive of lower insurance premiums could be relied upon, it was assumed, to induce the employer to make his workplace increasingly safer, with a consequent reduction in accidents. On the side of the injured employee, it was assumed that he should be reimbursed in part for any industrial accident in accordance with the provisions of the law without having to go to court to prove the employer at fault, thus removing at once a source of delay in payments, costly overhead associated with court trials, and animosity between employer and employee engendered by the courtroom experience.

State Workmen's Compensation Laws. Maryland was the first state to enact a workmen's compensation law, passing a law in 1902 which was ruled unconstitutional in 1904. Montana and New York enacted laws in 1910; but these, too, were held to be unconstitutional. The first laws which were upheld by the courts were laws passed in 1911 by California, New Jersey, Washington, and Wisconsin. By 1920, over half the states had such legislation, with the last state, Mississippi, passing its legislation belatedly in 1948. Thus, almost half a century elapsed after Maryland's first venture in the area of workmen's compensation legislation until the nation as a whole provided such legislative protection.

No two state laws are exactly the same, but there are many points of similarity among them. Virtually all states exclude certain employees from coverage, notably farm workers, employees of charitable institutions, and casual laborers. Most states impose a waiting period before compensation is paid, thus eliminating payment for superficial injuries. A waiting period of one week is the most common among the states. All states pay declining degrees of compensation for fatalities, permanent total disabilities, permanent partial disabilities, temporary total disabilities, and temporary partial disabilities. In general, it may be said that the injured workman (or the survivors of one who has been fatally injured) is assured some proportion of his basic pay in addition to the cost of medical, surgical, and hospital care during the period of recuperation. One of the problems posed by workmen's compensation, however, is the fact that since 1939 the *relative* compensation of injured workers has been on the decline. While prior to 1939 a substantial majority of injured

workmen or their survivors could expect to receive amounts about equal to two thirds of the wage loss, injured workers today probably have closer to 50 percent of their wage loss made up to them, while survivors may receive no more than 10 to 15 percent of the potential earnings of the deceased worker.²⁰ As of 1967, average benefits for temporary total disability were probably some place between \$40 and \$55 per week. However, average weekly earnings of factory employees were \$114-90 in 1967. Probably only 20 percent of civilian employees remained uncovered by workmen's compensation laws in 1967. This percentage may decline, however, since groups least apt to be covered—state and local government employees and domestic servants—are growing faster than the total labor force.

The payment of benefits to workers afflicted with an occupational disease was not common among the states until the last two decades. As of 1936, only 16 states plus Hawaii, Puerto Rico, and the District of Columbia provided such protection.²¹ By 1962, only two states—Mississippi and Wyoming—provided no benefits for the victims of occupational disease. With the enactment of Mississippi's law in 1962 and Wyoming's law in 1967, all states now provide for some kind of coverage of occupational disease. The typical approach has been to extend the provisions and coverage of the state's workmen's compensation law to occupational disease, either on a *blanket* basis, whereby all occupational diseases are covered, or on a *schedule* basis, whereby only diseases enumerated in the law are reimbursed. Over 60 percent of the jurisdictions in 1968 afforded blanket coverage for occupational diseases.

Federal Workmen's Compensation Laws. Although the majority of persons protected by workmen's compensation come under state laws, there are federal laws as well which apply to limited groups of employees. The oldest of the federal laws is the Employers' Liability Law of 1908, which applies to interstate railway employees and to seamen. This enactment still makes it necessary for injured employees to go to court and to prove negligence on the part of the employer in order to receive any compensation, but this is facilitated by the elimination of two of the common-law court defenses (the fellow servant rule and assumption of risk doctrine) and the weakening of the doctrine of contributory negligence to one of *comparative* negligence, which attempts to ascertain the degree of negligence introduced by the employer and the employee and to locate varying degrees of liability accordingly.

The second federal law is known as the Employees' Compensation Act; it was enacted in 1916 and applies to all civil employees of the

²⁰ Herman M. Somers, "Confronting the Crisis in Workmen's Compensation," *Monthly Labor Review*, March, 1959, pp. 252-56; also see Edmund K. Faltermayer, "Injury Insurance," *Wall Street Journal*, May 4, 1961, pp. 1 ff.

²¹ *Prentice-Hall Labor Course*, p. 9040.

federal government. Finally, there is the Longshoremen's and Harbor Workers' Compensation Act of 1927, which applies to longshoremen, harbor workers, and all employees of private industry within the District of Columbia. As a result of a 1941 amendment, this law was extended to employees of private employers engaged in contractual work for the United States government outside the country.

In general, it may be said that the federal laws noted above have been more liberal in their benefits paid to injured workmen than have state laws. The Employees' Compensation Act of 1916 has generally provided more liberal benefits than have been forthcoming under the 1927 Longshoremen's and Harbor Workers' Compensation Act, although the latter was liberalized in 1961.

Unemployment Compensation

Concern for employment insecurity of industrial workers was in evidence in Europe shortly after concern appeared for insecurity attributable to industrial accidents. During the latter half of the 19th century, European unions—notably of the craft variety—initiated the practice of building unemployment reserves to be paid to their unemployed members when the need arose. The first societal action in this connection occurred in 1901, when the city of Ghent, Belgium, began to subsidize union unemployment reserve plans existing within that city, a practice soon followed by several other industrial cities in Europe. As this procedure soon proved totally inadequate, European nations began to set up unemployment insurance or compensation plans, with England drawing up the first compulsory unemployment insurance program in 1911.

In this country, agitation for state unemployment insurance plans began about the time England inaugurated its national program; certain craft unions in this country had earlier followed the lead of their European counterparts. Although numerous bills were introduced in state legislatures, with some coming close to enactment, nothing was done by the states until pressure was exerted by the federal government via the Social Security Act in 1935, which induced all states to enact unemployment compensation acts.

Federal Unemployment Compensation Provisions. One of the several titles of the lengthy Social Security Act of 1935 deals with unemployment compensation. The provisions relating thereto accomplished two purposes: (1) They created an atmosphere in which it was to the states' advantage to enact unemployment compensation legislation, and (2) they stipulated the general criteria or standards which state unemployment compensation programs must at least meet in order to receive federal approval.

Federal provisions which induced states to act in this area centered

around the unemployment compensation tax which was levied by Congress originally on employers of eight or more persons (employers of four or more as of January 1, 1956). The tax levied was 3 percent of annual wages paid to an employee up to \$3,000, a tax base which had not been changed as of 1960.²² While all employers covered by the law were required to remit this tax to the federal government, their unemployed workers would receive no compensation unless the state in question had an acceptable unemployment compensation law. The Social Security Law also provided that the federal government would pay the costs of administering unemployment compensation programs, with funds coming from 10 percent of the payroll tax (0.3 percent) noted above.²³ The result of this federal inducement was the passage of unemployment compensation acts by all states within the short space of about two years, in contrast to the almost 40 years required for all states to enact workmen's compensation legislation on their own initiative.

Federal standards which state unemployment compensation laws must meet include the following:

1. The states must utilize approved methods of administration.
2. Unemployment benefits must be paid through public employment offices.
3. Funds raised by the unemployment compensation tax must be used exclusively for unemployment compensation.
4. Unemployment reserve funds must be deposited with the United States Treasury.
5. The Social Security Administration must be given free access to state records and is entitled to receive periodic reports from state administrative agencies.

In addition, the federal provisions indicate employments which may be exempted from coverage by the state laws and stipulate the time an employer must have employed four persons during a year to be covered by the law.

In the years since 1940 the federal government has permitted the states to incorporate merit-rating or experience-rating provisions within their laws, which enable employers who have maintained low labor turnover rates to pay unemployment tax rates which are decreased progressively. Under most such state provisions, employers with very regular employment patterns need not pay any unemployment compen-

²² A minority of states (22 as of 1968) now use a tax base of \$3,300 or more, it should be noted.

²³ This tax is 0.4 percent presently, having been raised by Congress in 1960, thus making the total tax rate 3.1 percent instead of the original 3 percent.

sation tax (except the 0.4 percent for administration costs) during the years in which this regularity of employment is maintained. While the rationale behind this trend has been the provision of an alleged incentive for employers to regularize employment, much as workmen's compensation laws provide the employer with an incentive to make his plant safe, it has been argued at great length that the two situations are not comparable. Thus, it has been contended that the employer already has a maximum incentive to regularize employment in the nature of his desire to maximize profits. Secondly, it has been argued that merit or experience rating penalizes the employer in a seasonal industry, where it is virtually impossible for him to regularize employment, while rewarding undeservedly employers in industries which by their very nature provide highly regular employment. Finally, it has often been argued that merit rating leads to an interstate race to offer the lowest possible unemployment compensation tax rates in an effort to attract employers, while the general trend relative to unemployment benefits should of necessity be upward. The end product might be either inadequate unemployment reserve funds or inadequate unemployment benefits. Regardless of the merits of these arguments, it would appear that merit rating is here to stay in state unemployment compensation programs for some time to come; too many firms benefit therefrom to permit its early elimination. As a result of merit rating, average unemployment compensation tax rates in 1968 varied from 0.27 percent of taxable payroll to almost 2.85 percent. The national average was 1.47 percent.

State Unemployment Compensation Laws. While the states are limited somewhat by federal standards, just discussed, most of the details of their legislation are left to determination by state legislatures. It is also true that states may do *better* than the federal standards if they wish; they are prohibited from doing worse.

The major details of unemployment compensation programs determined by the state laws include actual coverage of the laws, the financing of the programs, the qualifications for unemployment benefits, the amount and duration of benefits, and the administration of the programs. As to coverage, most state laws still exempt agricultural workers, employees of nonprofit institutions, and casual workers.²⁴ With respect to the financing of unemployment compensation, state laws *may* tax employees in addition to employers; but in actuality, only three states do so.²⁵ Hence, most state provisions relative to the financing aspect have been related to their merit-rating arrangements. State laws are quite detailed and complicated in stipulating the means whereby unemployed workers may qualify for benefits, with the general result being confusion on the

²⁴ As of 1963, only Alaska provided coverage for agricultural workers.

²⁵ Alabama, Alaska, and New Jersey.

part of employees as to whether they are qualified for such benefits and to what extent. The principal reason for the detailed provisions, of course, has been the desire to prevent the payment of unemployment compensation to "undeserving" applicants.

In defining the benefits available to the unemployed worker, state laws typically prescribe a maximum proportion of the worker's basic pay which will be paid to him in the event of his unemployment. In addition, the typical law sets an absolute weekly dollar maximum which will be paid to the unemployed worker. While the typical rate of benefit is close to two thirds of the employee's base pay, state maximum weekly benefit amounts are so low that the legal rate of compensation is not attained by most unemployed persons. In almost half the state laws, as of 1968, maximum weekly benefit amounts ranged from \$40 to \$55, with \$105 being the top figure for all states and \$33 the lowest figure. Since average weekly pay of manufacturing production workers in 1968 was about \$122.46, it is obvious that the majority of unemployed factory workers would fall far short of unemployment compensation at the rate of two thirds of their base pay when employed. Benefits are limited as to duration as well as to rate and total amount. As of 1968, at least 40 jurisdictions provided for a maximum potential duration of benefits of 26 weeks or more, with nine of these jurisdictions permitting benefits to continue for 30 weeks or more. Despite the tendency for the maximum duration to move upward slowly, large percentages of unemployed persons during even the relatively minor recessions of 1953-54 and 1958-59 exhausted their benefits. As a result, the federal government provided for loans to states which temporarily extended their maximum duration period by 50 percent during the 1958-59 recession.²⁶ Most industrial states with high-level unemployment took advantage of the federal loan provisions.

It should be apparent that unemployment compensation as provided in this nation is primarily a prop against short-run unemployment of the seasonal, technological, frictional, or recession varieties. For any extended recession or depression, substantial emergency measures would have to be provided if the state programs were to continue to function.²⁷ To a certain extent, however, unemployment compensation does operate as an automatic built-in stabilizer which begins to take up some of the slack as soon as unemployment starts to rise and thereby serves not only to relieve some of the most acute suffering on the part of individuals

²⁶ This was also repeated in 1961 but was financed in this instance by a 0.4 percent additional payroll tax, to be paid by employers.

²⁷ As a further aid to the unemployed, a growing minority of states now vary maximum weekly benefit amounts relative to the size of the unemployed person's family. As of 1968, about a sixth of the states had made provision for family allowances.

which accompanies unemployment but also to prevent economic decline from snowballing into dangerous proportions. Added to this stabilizer, of course, are such items as the progressive income tax, governmental supports for farm prices, and various institutional provisions for retirement income. Obviously, the stabilizing effects of unemployment compensation could be greatly reenforced if its coverage were enlarged and if the benefits were liberalized. As of 1966, probably over 15.5 million employed workers were still not covered by unemployment compensation laws. Additionally, only about 41 percent of the worker's base pay was recovered by him through unemployment compensation benefits, on average.

Federal Antidepression and Antipoverty Legislation. At this point, it is appropriate to take note of many other federal laws which relate to unemployment as a problem of worker economic insecurity. The first of these laws is the Employment Act of 1946. Originally labeled a "full-employment" bill, the legislation in question was changed to simply the *employment* act. This act created for the first time a council of three economic advisers to the President of the United States. The principal function of the Council is to maintain a constant check on the economic health of the nation by noting what is happening to such aggregates as consumption spending, gross private domestic investment, government purchases of goods and services, net foreign investment, and the level of employment. Annual reports are made by the Council to the President in December, with recommendations for policies needed to correct any tendencies observed toward inflation or deflation. The President, in turn, reports to Congress in his January message on the economic state of the union, in which he suggests legislation which Congress should consider to minimize current economic problems. The President's report and suggestions are then taken up by the Joint Economic Committee of Congress, which must make its recommendations to Congress by June, at least. While the law does not pledge the government to guarantee employment for all persons wanting jobs, it does obligate the government to "promote maximum employment, production, and purchasing power." The influence of the Keynesian employment theory, discussed in an earlier chapter, is thus quite apparent in the role ascribed to the central government by this law.

The Buy American Act of 1955 instructs the Secretary of Labor from time to time to report to the President on localities suffering from excessive unemployment. Following these designations, executive orders may then be issued by the President giving priority to American firms in such localities over foreign firms in so far as the letting of governmental contracts is concerned. Despite the shaky economic justification for such legislation, this law is still another instance of the expanding role of the federal government in assuring economic security—not only to industrial

employees and to the economy in general, but also to "sick" labor markets.

Three other laws to be noted in this connection are the Area Redevelopment Act of 1961, the Manpower Development and Training Act of 1962, and the Trade Expansion Act of 1962. The ARA provides up to 16 weeks' subsistence payments equal to average unemployment compensation benefits in the state where the training is received by unemployed persons selected for the training. The MDTA, being broader in scope, makes possible a 52-weeks training period primarily for unemployed family heads who have had at least three years of labor market experience. Trainees in this program may receive subsistence and transportation allowances if their training takes them outside the commuting area of their regular place of residence. The primary objective of these two laws is obviously that of making unemployed or underemployed individuals more employable by equipping them with skills which can be marketed now.

The Trade Expansion Act of 1962 makes available readjustment allowances to workers who may have become partially or totally unemployed as a result of tariff concessions by this nation which have affected their employing units adversely. Allowances are payable for a maximum duration of 52 weeks, with the exception that if such a person is participating in a training program which is approved, he may be entitled to an additional 26 weeks of allowances to assist him in the completion of his training. Subsistence and transportation allowances similar to those under the MDTA are also made available. Additionally, relocation allowances will sometimes be paid for unemployed family heads where no suitable reemployment prospects exist locally.

The Economic Opportunity Act of 1964 should be noted here. Among its objectives are the following: establishment of a Job Corps for people aged 16 to 21 who are out of school and out of work, or in dead-end jobs and to assist in their education and/or training; to extend federal financial aid to state, local, and private agencies designed to provide work and training for persons aged 16 to 21; to assist young people from low income families to attain higher education levels; to combat poverty in all its forms in rural or urban communities; to assist small business firms via loans; to help unemployed adults to secure employment; and to enlarge the capacities of adults for self-support and economic independence.

Soon after taking office in 1969, the Nixon administration eliminated 59 Job Corps centers across the country presumably because of criticisms of the Job Corps program's high mortality rates (students leaving before training was completed) and because people were allegedly being trained at high cost per student for the wrong jobs. In place of the 59 terminated centers, some 28 new and smaller centers were set up in or

near ghetto areas to fill part of the vacuum. Further, the Nixon administration promised a gradual increase in the new version of Job Corps over succeeding years.

Finally, a most ingenious experiment was entered into by the Johnson Administration in 1968 under the title *JOBS* or Job Opportunities in the Business Sector. The program is run jointly by the Labor Department and the National Alliance of Businessmen, of whom Henry Ford II was president in 1968. The program involves the operation of classes by large, medium, and small business firms especially for the benefit of hard-core unemployed in big city ghettos. By July of 1968 the Labor Department had officially approved 428 projects for training over 42,000 persons with employers guaranteeing a regular job with their company for each person finishing the training classes. The nation's share of the cost of these 428 projects was estimated at about \$114 million or about \$2,676 per trainee. By January, 1969, about 125,000 people had been employed through this program with a retention rate of about 68 percent, which exceeded most businessmen's hopes. The goal in 1969 was the placing of 200,000 persons with cooperating industrial firms. The Nixon administration pledged itself to continue the program with the appointment of Donald M. Kendall, president of Pepsico, Inc., as the successor to Henry Ford II. The longer run goal of this program was set as the placing of 500,000 workers on industrial payrolls by the middle of 1971. Thus, it may be seen that the several laws noted in this section are aimed at the related problems of unemployment and underemployment and are approaching these problems from a number of vantage points in a most ambitious manner.

Retirement Benefits Legislation

Just as the several states and/or the central government have attempted to minimize insecurities relating to industrial accidents and unemployment via legislation, so these jurisdictions have also attempted to insure a minimum amount of economic security to retired persons. In the matter of timing, state action in this area fell between workmen's compensation and unemployment compensation; federal action in this area paralleled its action relative to unemployment compensation.

Voluntary old-age annuities in Europe began in Belgium and France in the early 1850's, with Austria setting up the first compulsory old-age and invalidism insurance in 1854.²⁸ For several decades, European old-age pension arrangements wavered between those basing retirement benefits on "need" of the individual and those making benefits at retirement a matter of "right" stemming from contributions during the work-

²⁸ *Prentice-Hall Labor Course*, p. 10,012.

ing lifetime.²⁹ The latter concept gained headway rapidly, starting with the second decade of this century.

Between 1915 and 1929, several states in this country set up old-age pension plans based upon "need," which resulted in few beneficiaries in actual receipt of retirement income during the 1920's. With the coming of the depression years of the 1930's, the poor financial condition of the state plans, as well as the unsavory connotation of charity presented by plans based upon "need," inevitably led to the establishment of a national program of old-age insurance by the federal government via the Social Security Act of 1935. It should be noted, however, that many beneficiaries still collect old-age benefits under state old-age pension plans. Further, under the old-age assistance provisions of the Social Security Law, federal funds are contributed to the states on a quasi-matching basis.³⁰ As time passes, smaller proportions of the retired population will be receiving state old-age pensions, with increasing proportions coming under the national old-age insurance plan. As of 1967, average monthly payments under state old age assistance programs amounted to \$70, ranging from a low of \$38 in Mississippi to a high of \$121 in New Hampshire.³¹

Old-Age, Survivors', and Disability Insurance. Since the passage of the Social Security Act in 1935, with its provision for old-age, survivors', and disability insurance, coverage has been extended by several amendments so that, as of 1965, approximately 90 percent or more of the labor force of this country was protected. The principal groups which still remained outside the OASDI provisions were federal civilian employees under civil service pension plans; certain religious groups' ministers or practitioners who have not elected coverage; certain farm workers; and employees of some nonprofit organizations that have not arranged for coverage of their employees. It should be noted that since 1955, most self-employed persons, such as farm owners, businessmen, and profes-

²⁹ One of the big problems with "need" plans is that presented by the reluctance on the part of most people to admit economic defeat and plead the need of charity. Often, the most deserving would forgo such a plea because of their pride, while some not nearly so deserving would secure benefits because of a lack of economic pride. When benefits became a matter of right, a much wider distribution of retirement benefits at once obtained.

³⁰ Other similar assistance is provided by the federal government under the Social Security Law to such groups as the needy blind, dependent children, and the permanently and totally disabled. In addition, the federal government, under the Social Security Law, provides such services as maternal and child health services, services for crippled children, and child welfare services. See Social Security Administration, U.S. Department of Health, Education and Welfare, *Social Security Handbook* (Washington, D.C.: U.S. Government Printing Office, 1960).

³¹ Bureau of the Census, U.S. Department of Commerce, *Statistical Abstract of the United States* (89th ed.; Washington, D.C.: U.S. Government Printing Office, 1968), p. 301.

sional persons, have been covered by OASDI, as well as persons employed by someone else.

It should be noted here in passing that the original "old age and survivors' insurance" (OASI) became "old age, survivors', and *disability* insurance" (OASDI) in 1954 when the disability provisions were added to the law. When medicare was added to the law in 1965, the alphabetical designation grew to "old age, survivors', disability, and *health* insurance" (OASDHI). Consequently, it will be so referred to in the remainder of this section.

Financing of OASDHI as of 1969 is by means of a tax levied in equal amounts on employer and employee on the first \$7,800 earned by the employee annually. Self-employed persons pay a tax at a rate which is nearly three fourths of the combined employer/employee tax rate. The

Table 19-1 Tax schedule for OASDHI for employer, employee, and self-employed

Employer-Employee				Self Employed			
Year	Total Tax	*OASDI	†HI	Year	Total Tax	*OASDI	†HI
1969-70	4.8	4.2	0.6	1969-70	6.9	6.3	0.6
1971-72	5.2	4.6	0.6	1971-72	7.5	6.9	0.6
1973-75	5.65	5.0	0.65	1973-75	7.65	7.0	0.65
1976-79	5.7	5.0	0.7	1976-79	7.7	7.0	0.7
1980-86	5.8	5.0	0.8	1980-86	7.8	7.0	0.8
1987-	5.9	5.0	0.9	1987-	7.9	7.0	0.9

*OASDI refers to tax for old age, survivors, and disability insurance.

†HI refers to tax for health insurance or medicare.

Source: Social Security Administration.

employer/employee tax rate, which started in the original enactment at 1 percent for each on the first \$3,000 earned by the employee in a year, has risen though the years both because larger proportions of the population have reached retirement under OASDHI and because benefits have been progressively advanced by Congress. The 1969 tax schedule as set up by the 1967 amendments is shown in Table 19-1. The tax base is the first \$7,800 earned per year.

Monthly social security benefits are dependent, in part, upon the level of average earnings the retiring person has had while employed and also upon the number of years he has been employed or self-employed under the coverage of the OASDHI provisions. In general, it may be said that benefits are weighted in favor of lower income persons. In addition to the payment of benefits to retired insured persons at age 65, benefits may also be paid to retired men or women starting at age 62 (at a reduced

rate); to a widow at age 60 (at a reduced rate), surviving child, or dependent parent; and under certain conditions, to the dependent husband of a retired woman. Benefits of retired insured persons aged 65 or over, as of 1970, ranged from a minimum of \$64 per month for persons whose average annual earnings since 1950 were \$800 or less, to \$184 per month for persons whose average annual earnings since January, 1968, were \$7,800 or more.³² Other benefits, such as those to wives, dependent children, parents, or husbands, and to surviving widows and children, are based upon the primary insurance benefit of the insured individual. Thus, a wife aged 65 of a retired man receives a benefit equal to one half her husband's monthly benefit. A widow aged 65 or older is paid a benefit equal to three fourths her deceased husband's benefit, as is true also of a widow under age 65 who has a dependent child in her care. Widows may draw reduced benefits at age 60. Surviving children are paid benefits at the rate of three fourths of the deceased father's primary insurance benefit. A limit exists, however, for total benefits paid to any one group on the basis of any one insured person. This family limit, as of 1970, ranged up to \$4,830 per year per family, being dependent on the average earnings of the deceased person per year since 1950. Finally, in addition to the retirement and survivors' benefits briefly outlined herein, a single lump-sum death benefit is provided for anyone paying the funeral expenses of a deceased insured person.

The above benefits have been increased periodically by Congress, notably during election years, in an attempt to offset any loss in real income to retired persons occasioned by cost-of-living increases. Thus, for example, benefits were raised by Congress in 1958 by roughly 7 percent over their previous level, effective January 1, 1959. Congressional elections were held in November, 1958. The presidential election year of 1964 proved to be an exception when a liberalizing bill in Congress failed to pass, but amendments came in 1965, 1967, and 1969.

Sickness and Disability Legislation

The one aspect of economic insecurity which has been unexplored by most jurisdictions in this nation is that involving insecurity stemming from sickness and disability not incurred in connection with employment. Although many European countries and England have ventured into this area in their so-called "cradle to the grave" social insurance programs, most of the states, and the federal government as well, have avoided what has been called "socialized medicine" legislation by the

³² As of June, 1968, the average old-age benefit being paid to retired workers with no dependents eligible for benefits was \$94 per month, while the average benefit to worker and wife was \$164. Thus, the typical beneficiary was receiving little more than half the amount estimated as needed by the retired couple in an industrial city.

American Medical Association. The minor advances in this area will be briefly noted.

State Disability Legislation. As of 1969, four states had disability legislation on record: California, New Jersey, New York, and Rhode Island.³³ The primary objective of this legislation is to provide cash benefits for covered employees following the contraction of injury or illness which is not the result of employment. The laws of California, New Jersey, and Rhode Island cover only those employees who come under the state's unemployment compensation law; the New York enactment does not cover all employees who come under the state's unemployment compensation program, since small firms are exempt from the disability legislation.

The disability benefits are financed in somewhat different ways in the four states. California and Rhode Island levy a 1 percent tax on employees on the first \$7,400 and \$4,800 earned in a year, respectively, with employers paying no tax. In New Jersey the employee pays a tax of 0.5 percent on the first \$3,000 of wages earned in a given year, while the employer pays 0.25 percent of the same base, subject to merit- or experience-rating deductions. The New York law provides that the employee may be asked to pay no more than 0.5 percent on the first \$60 of weekly earnings; any additional amount needed is to be provided by the employer. Benefits based on these taxes are subject to minimum and maximum limits, a waiting period, and a maximum period of duration.³⁴ In general, it may be said that the benefits are somewhat less than those provided under state workmen's compensation laws for industrial injuries or illnesses.

Thus, it is apparent that even in the states which have pioneered in disability insurance, the coverage is quite limited, as are also the benefits allowed.

Federal Legislation. While no disability law as such has been passed by Congress, despite the numerous bills which have been introduced, two indirect approaches or entering wedges should be taken stock of at this point. Both of these are of recent origin and are quite limited as to scope. The first item consists of amendments to the Social Security Law in 1954, 1956, 1960, and 1965. Under these amendments a person covered by OASDHI who has become disabled within the meaning of the provisions is entitled to disability benefits which are the equivalent of what his old-age benefit would be at age 65. At age 65, the disabled person ceases to receive disability benefits and begins to draw his old-age benefits. Also, under these provisions a disabled child of a retired insured worker

³³ Rhode Island's law was passed in 1942; California's law dates from 1946; the New Jersey and New York laws were enacted in 1948 and 1949, respectively.

³⁴ For complete discussion, see J. G. Turnbull, C. A. Williams, and E. F. Cheit, *Economic and Social Security* (2d. ed., New York: Ronald Press Co., 1962), chap. xi.

or of an insured deceased worker may receive a child's benefits beyond the age of 22, the normal stopping point for surviving school children's benefits.

The second item at the federal level worthy of mention here is the provision for assistance funds to states for medical aid to their aged, provided the state in question has suitable legislation. This enactment, passed by Congress in the presidential election year of 1960, provides for federal funds to match those advanced by the state to aid needy persons 65 years old or over in paying their medical bills. This federal-state program has come to be referred to as *medicaid* and probably will eventually apply to about 35 million persons. However, as of late 1967, only 21 states had implemented medicaid and some 8 million persons were covered thereby. As of 1969, some states were concerned about the costs of medicaid, with California, New York, and Iowa being in this category. Where a state's law so provides, such funds may cover all or part of a physician's care, hospital bills, dental services, prescribed drugs, eyeglasses, laboratory fees, X rays, and other medical services. Each person and/or his relatives will be expected to pay as much of the medical bills as possible. State laws, as they are passed, will provide means for determining a person's need for medical aid, much as did the early state old-age pension laws of the 1920's. It is likely that limits on annual income and property ownership will be utilized to separate needy older persons from those presumed capable of paying their own medical bills. At least, this was the case in the first state law to be enacted in this connection, that of Michigan, which was passed late in 1960. Under this law a person 65 or older may not claim medical aid if he has an annual income of at least \$1,500 or if he possesses salable property of \$1,500 (\$2,000 for married couples), with homes being excluded from the term *salable property*.³⁵

During the 1964 presidential campaign, one of the issues was that of federal aid to the aged for medical care based upon "right" as opposed to "need." Consequently, in the summer of 1965, the preponderantly Democratic Congress passed a bill known generally as "medicare," which applies to nearly everyone aged 65 or older. The provisions of this enactment are financed by additions to OASDHI taxes starting in 1966, as discussed earlier in this section. The benefits under "medicare," starting with July, 1966, include the following: hospital care up to 60 days with the patient paying the first \$40; an additional 30 days of hospital care with the patient paying \$10 per day; 20 days of nursing home care with the patient paying \$5 per day from the 21st day up to the 80th day; home health care after discharge from a hospital or nursing home to the

³⁵ See "Medical Aid for the Aged Is Here," *U.S. News & World Report*, September 5, 1960, pp. 42-43; also "Michigan's Medical Plan for Aged," *U.S. News & World Report*, October 10, 1960, p. 138.

extent of as many as 175 visits by nurses and therapists during a single illness. Items not covered by "medicare" include physician's or dentist's bills; medicines and drugs except those provided while in a hospital or nursing home; private nurses; and transportation to hospital for medical service. On January 1, 1970, the medicare patient was required to pay the first \$52 of hospital costs rather than the first \$40 and on January 31, 1969, amounts to be paid by the patient for hospital stays beyond 60 days were subjected to a 10 percent increase. As of January 1, 1970, the medicare patient was required to pay \$13 per day for hospital costs after the first 60 days. In connection with "medicare" is a provision for *voluntary* health insurance for persons aged 65 or over which could be purchased at the rate of \$3 per month. This insurance provides a long list of services for which the patient must pay the first \$50 per year plus 20 percent of remaining expenses; the premium rose to \$5.30 monthly on July 1, 1970.

Many consider "medicare" as it existed in 1966 to be (1) the entering wedge for future expanded old age medical benefits; and (2) possibly the forerunner of general health insurance in this nation for persons under age 65 in some future year.

In connection with federal public assistance funds to aid the states in their support of certain qualified persons, it should be noted that one such program provides federal public assistance funds for *Aid to the Permanent and Totally Disabled*. The number of recipients under this program has risen from 464,000 in 1963 to 737,000 as of April, 1969. Considerable variation in average monthly benefits to such persons exists among the states. Thus, in April, 1969, the average monthly benefit varied all the way from \$48.95 in Mississippi to \$132.80 in Iowa, with the average for the nation being about \$85.10.

Observations on Security Legislation

Probably the most outstanding characteristics of the social insurance programs of this nation are decentralization and heterogeneity. While the workmen's compensation program is largely a *state* program, unemployment compensation is *state/federal* in orientation, and old-age and survivors' insurance is largely a *federal* program. Though many cogent arguments have been advanced for a more unified and uniform social insurance program at the federal level, it is not likely that such a step will soon be taken, in view of the strong states' rights sentiment in this nation. The social insurance program's decentralized nature is further compounded in this country by the vast system of "private" social security which exists here in the form of sundry fringe benefits at the level of the firm which supplement state and federal social insurance programs. In no other nation is there the emphasis on fringe benefits found in this country. Their growth has been phenomenal, and the end is

apparently not yet in sight. In recent years, such benefits have grown at a rate about twice that of the growth in direct wages or take-home pay. In the larger firms, such private social security schemes literally afford almost every type of economic insurance, including old-age pensions, guaranteed annual wages, and group life, sickness, accident, and hospitalization insurance. Employees fortunate enough to have this layer of "private" social security on top of governmental social security would seem to enjoy a maximum amount of freedom from economic worries.

Economically speaking, social insurance of the types discussed represents a huge system of transfer payments. That is, purchasing power in a given period is literally transferred by this complicated mechanism from those in the society who are relatively more affluent and more economically secure to those who are relatively less affluent and less economically secure. The rationale for the system is often noted as being twofold in nature. On the one hand, it is justified on the basis of humanitarian consideration for the insecure individual and presumed because his insecurity is largely not of his own making or control. In this connection, it has been noted that the social security program of a free enterprise nation is the society's way of softening the economic blows of the pricing mechanism which often fall upon individuals and groups with a ruthlessness which is seemingly intolerable to the majority within a free enterprise democracy. On the other hand, social insurance is justified on an aggregative basis for its automatic operations in shoring up the economy against the otherwise more damaging blows of economic recessions or depressions. In either case, the emergence in all industrial societies of the phenomenon of social insurance has been of extreme interest to students of the social sciences.

The Negative Income Tax

The multiplicity of social insurance programs, many of which are designed to reduce or eliminate poverty, has caused some economists to seek alternative and simpler means for accomplishing the same end. Perhaps the alternative which has received the most attention has been that of the "negative income tax" as envisioned by, among others, Professor Milton Friedman of the University of Chicago and Professor James Tobin of Yale University.

While the two plans differ in technical details, they agree on the desirability of deciding upon some minimum income level for a family of given size as constituting the minimum income for assuring a sort of health-and-decency budget. Families earning less than the minimum would have the difference made up to them by governmental payments. Families earning more than the minimum would, of course, pay varying levels of income tax dependent upon size of net income. Incentives are

suggested to encourage work as opposed to merely receiving governmental aid even if work is available. One goal of this novel approach is presumably that of eliminating many social welfare programs of today along with their costly administration expenses. Thus, the negative income tax is pictured as being a more efficient mechanism for reducing poverty than the wide variety of programs now in existence. The annual cost of such a program has been estimated as being some place between 3 billion and 8 billion dollars per year after allowing for savings in current relief expenditures which could be abandoned. Professor Friedman sees all the cost of the negative income tax being offset if certain other programs which he opposes are cancelled, namely, farm price supports, public housing, and food stamp plans. Cost estimates are short-run in nature, with Professor Tobin seeing an eventual 26 billion dollars per year cost for his program.

Many fear that the negative income tax would cause numerous poor people to prefer not to work. Proponents of the plan, on the other hand, feel that such attitudes are rife at present and that with proper built-in incentives, perhaps a larger proportion of poor people would prefer to work under the negative income tax than under current programs. Regardless of its merits, it would appear that the negative income tax is still some time away from culmination. Interestingly, in 1969 the AFL-CIO's executive council came out in opposition to the negative income tax because of the possible threat implicit in it to social security legislation and other social programs.

MISCELLANEOUS LAWS OF GENERAL INTEREST

The final section in this chapter would do well to note, in passing, that labor organizations have traditionally worked also for the enactment of laws which have a less direct bearing upon the industrial worker. The indirect effects, however, and the effects on the economy as a whole have often been significant. Thus, labor organizations early in the nineteenth century worked for "free land," which was eventually achieved in the homestead acts. Free public libraries were also a part of the political program of early unions, as was free compulsory public education. From the end of the Civil War on down to World War I, dominant labor groups worked for the enactment of legislation curbing immigration as a means of minimizing the flow of unskilled labor, which was seen as a constant depressant upon wages and working conditions. In more recent periods, labor organizations have supported such legislation as the Reciprocal Trade Agreements Act and legislation implementing the Point IV (aid to foreign nations) program set up after World War II. Still more recently, labor gave its support to the aforementioned 1964 anti-poverty enactment known as the Economic Opportunity Act. The long-

run objective of this enactment is the elimination or minimization of major causes of poverty. Expenditures of perhaps a billion dollars per year are anticipated in the near future, with the bulk of the money going to aid the poverty-stricken families of the nation—those with annual incomes of \$3,130 in urban areas or \$2,191 in rural areas.

While the above laws are not substantive labor laws, since they do not deal directly with the subject matter of collective bargaining per se, they are noteworthy in that they do show the broad interest of labor organizations in so far as legislative goals are concerned. An equally broad program appears to figure in future plans of labor organizations in this country. As of 1969, labor organizations were on record as favoring the following: lowering profit margins and reducing rates of return on investments to ease "profit inflation"; modifying tax laws to eliminate some of the loopholes for wealthy families and business; raising social security benefits to help retired people; raising the minimum wage from \$1.60 to \$2.00; reduce welfare rolls without inflicting hardships and provide more adequate assistance to those left on the rolls; keep a close watch on interest rate policies and ease them at the first sign of economic decline in the nation; and undertaking a large-scale effort to assist rural Americans—especially the marginal farmers and farm families.

SUMMARY

The rapid growth of substantive labor law in this country is a testimony to the growing political influence of the labor movement. That this segment of labor law has not grown faster and to greater proportions is in large measure due to the rear-guard defensive operations of employers and their associations.

Substantive labor law in this country definitely runs the gamut of the economic problem areas discussed in the first half of this book—the same economic problem areas reflected in the provisions of the nation's labor contracts. Thus, legislation has been discussed in this chapter dealing with wages, hours, working conditions, unorganized minorities, and economic insecurities of workers; and additionally, miscellaneous laws of a more general nature have been noted.

To some extent the laws in question have been desired by labor groups as a supplement to economic gains won through collective bargaining. In many cases, however, the laws discussed herein represent gains which organized labor has judged, for one reason or another, could be best secured through legislation or, perhaps, *only* through legislation. That somewhat similar legislation may be found in other free enterprise industrial economies is evidence that this development is an inevitable one as industrialization progresses. That such legislation is possibly found to a greater degree here than in most other major nations may be a

reflection of peculiar environmental factors such as the prolonged and greater resistance of employers to the demands of labor, the presence for so long of a large land frontier, the heterogeneous nature of the working class due to the important role played by immigration, and the complex federal form of government which has been dominant in the United States. Vocal insistence by union representatives on still further legislative gains in the future conveys the implication that the growth in substantive labor law is not at an end. The degree to which it does grow in the future, of course, will depend upon what happens to organized labor's political influence in a nation where the numbers of unorganized white-collar employees are increasing at a more rapid rate than the more highly organized blue-collar employees. It should be noted, however, that even though white-collar employees should continue to resist unionization, they may well prove to be favorable toward many of the legislative goals of the organized segment of labor and, as a result, may often lend their support as voters to the achievement of such goals.

DISCUSSION QUESTIONS

1. Can you think of any desirable aspects relative to the defensive, delaying type of action on the part of employers with respect to substantive labor legislation? Any undesirable aspects?
2. Using the classical economic approach, what should happen as a result of the legislative provision for minimum-wage rates in an economy? Why are these effects not always apparent in the real world?
3. It has sometimes been contended that the labor market forces work with less precision relative to working hours than to wage rates. Comment.
4. Why have industrial nations legislated with respect to working conditions rather than leaving such matters to competition in the labor market?
5. Are any of the earlier arguments against child labor less applicable today than they were in the early part of this century? Would you favor relaxation of child labor laws?
6. How can special protective legislation for female employees be justified?
7. In your opinion, can racial intolerance best be minimized by the educational approach or by the force of law? Why?
8. Recent changes in FEPC laws have prohibited employment discrimination based solely upon age. Criticize or defend this development.
9. Assuming that workmen's compensation legislation has merely resulted in causing the cost of industrial accidents to be borne by labor, how can it possibly be defended as an improvement over practices which preceded it?
10. Discuss some of the arguments in favor of merit-rating systems in unemployment compensation. Do the same with respect to arguments against merit rating.
11. What are some possible advantages which might flow from a comprehen-

sive national system of unemployment compensation? Some possible disadvantages?

12. Discuss the merits and demerits of national health insurance. Of medicare.
13. Comment on the observation that social security programs constitute in reality a gigantic system of transfer payments.

SELECTED READINGS

- BADENHOOP, LOUIS E. "Effects of the \$1 Minimum Wage in Seven Areas," *Monthly Labor Review*, July, 1958, pp. 737-43.
- BLAUSTEIN, SAUL J. "The Challenge Facing the Unemployment Insurance System," *Monthly Labor Review*, March, 1961, pp. 242-49.
- BUREAU OF LABOR STANDARDS. *Growth of Labor Law in the United States*, Washington, D.C.: U.S. Department of Labor, 1967.
- COMMERCE CLEARING HOUSE, INC. *Labor Law Course*, 1967. 17th ed., pp. 1501 ff., Chicago, 1968.
- CORSON, JOHN J., and MCCONNELL, JOHN W. *Economic Needs of Older People*, chaps. vi-xiv. New York: Twentieth Century Fund, 1956.
- GORDON, MARGARET S. *The Economics of Welfare Policies*. New York: Columbia University Press, 1963.
- HABER, WILLIAM, and COHEN, WILBUR J. *Social Security: Programs, Problems, and Policies*. Homewood, Ill.: Richard D. Irwin, Inc., 1960.
- KOVARSKY, IRVING. "Apprentice Training Programs and Racial Discrimination," *Iowa Law Review*, Vol. 50, No. 3, Spring, 1965, pp. 755-76.
- LEVITAN, SAR A.; COHEN, WILBUR J.; and LAMPMAN, ROBERT J., eds. *Towards Freedom From Want*. Madison, Wisconsin: Industrial Relations Research Association, 1968.
- MORGAN, CHESTER A. "An Analysis of State FEPC Legislation," *Labor Law Journal*, July, 1957, p. 469 ff.
- SOMERS, HERMAN M. "Confronting the Crisis in Workmen's Compensation," *Monthly Labor Review*, March, 1959, pp. 252-56.
- STOTZ, MARGARET S. "The BLS Interim Budget for a Retired Couple," *Monthly Labor Review*, November, 1960, pp. 1141-57.
- TURNBULL, J. G.; WILLIAMS, C. A.; and CHEIT, E. F. *Economic and Social Security*. 2d ed., New York: Ronald Press Co., 1962.
- U.S. DEPARTMENT OF LABOR. *Growth of Labor Law in the United States*. Washington, D.C., 1962.
- U.S. DEPARTMENT OF LABOR. *1962 Summary of State Labor Laws for Women*. Washington, D.C., 1963.

Conclusion

In this final section an attempt is made to assess the role played by each of the major labor market institutions: labor organizations, employers and their associations, and the central government. Attention is given to the development of the respective roles to date in this nation. Problems created by the evolution of each institution are noted, as well as the interinstitutional problem of cooperation in the production process. In a sense, then, Chapter 20 serves as a recapitulation of the various insights gained throughout the book relative to the institutions in question. The approach in the final chapter, however, is of an overall or comprehensive nature, in contrast to the relatively atomistic approach to the same institutions utilized throughout the foregoing chapters.

ROLES OF LABOR MARKET INSTITUTIONS IN THE MATURE INDUSTRIAL ECONOMY—A RECAPITULATION

The foregoing chapters of this book have dealt successively with the impacts of industrialization upon the labor market, the resulting economic problem areas and sources of worker economic insecurity in the industrial economy, the growth of labor market institutions in the economy, and the major activities of these institutions. This concluding chapter will give attention to the roles played by the labor market institutions in the mature industrial economy. In doing so, the chapter will also serve more or less as a recapitulation of the several insights gained relative to the institutions in question throughout this volume. The approach to the labor market institutions in this chapter will be of an overall or comprehensive nature, with the institutions being viewed in their totality, in contrast to the more atomistic approach featured in the previous chapters.

It should be noted that the roles of the several labor market institutions have not been nor ever will be static in nature. Rather, they have individually been undergoing a gradual development from the time they first appeared in the economy. Further evolutionary development is to be expected over the decades to come. All that can be safely attempted here is a review of the development of the respective roles to date, a process which may or may not provide some insight as to likely future developments.

Cognizance will also be taken in this chapter of major economic problems which have emerged with the development of each of the institutions. Possible solutions to some of the problems will be briefly

considered. Finally, the crucial key problem of interinstitutional cooperation in the production process will be given some attention, with emphasis upon both the present status of such cooperation and the likelihood for a higher degree of cooperation in the immediate future.

THE ROLE OF LABOR ORGANIZATION

The role of the labor union in the industrial economy is many-faceted. There are economic, political, and social aspects inextricably intermingled in the role played by the typical labor union in the mature industrial economy. Each of the aspects of the labor organization's role has unfolded gradually from very simple beginnings to very complex ramifications in a nation as mature industrially as the United States. These several aspects will now be considered.

Economic Aspects of the Union's Role

It is logical to start with the economic aspects of the labor union's role, since they were probably the major reason initially for the inception of labor organization. Thus, from the beginning of industrialization and the resultant growth in size of the employing unit, labor organization has united and intensified the bargaining power of individual workers in the labor market. Without this institutional cohesion, the power of the individual to higggle over wages and other conditions of employment would be of little consequence. The decision to unite so as to achieve a meaningful degree of bargaining strength reflects at once not only a desire to match varying degrees of monopsonistic power wielded by employing units with varying degrees of monopolistic power through labor organization, but also a general lack of faith on the part of labor in the ability of economic forces in the labor market to assure economic equity and security to the industrial worker. It is also highly possible, on occasion, that given mature labor organizations may operate offensively more often than defensively and thus seek to maximize the economic gains resulting from the shrewd use of monopolistic power in the labor market, much as would a firm with monopolistic power in a commodity market.

Whether labor organization as a whole is more offensive or defensive in nature, it is obvious that the institution has gradually directed its attention and its economic maneuvers toward the economic problem areas discussed in the first portion of this text, namely, wages, working hours, and sundry working conditions. Increasingly, too, the economic activities of labor unions have been directed toward the minimization of economic insecurities afflicting industrial workers, i.e., those associated with unemployment, industrial disabilities, and the aging process. The

end product of the economic activities of labor organizations in this nation to date has been an expanding voice on their part in the short-run determination of money wages, at least, as well as a voice in the determination of working hours, work speed, and many other aspects of the work environment. Similarly, the labor union has increasingly sponsored programs designed to give the industrial worker a greater degree of economic security. Thus, he has been contractually protected from arbitrary discharge and disciplinary measures through devices such as the seniority and grievance arrangements; he has been accorded greater security from unemployment through such devices as severance pay, guaranteed annual wages, and sundry group insurance programs, such as life insurance, sickness and disability insurance, and hospitalization insurance.

The evolutionary development of the economic side of organized labor's role in the economy has tended, in the final analysis, to restore a measure of control on the part of industrial workers, collectively speaking, over economic aspects of their lives. That is, the concept of representative government which they enjoy in other realms of their lives has been extended to the industrial realm. Hence, the industrial society, economically speaking, inevitably becomes a society of organized groups—pressure groups, as some term them—in contrast to the agricultural society, which is principally a society of individuals and small family units. Collective economic action of any magnitude is frowned upon by the agricultural society; it becomes the rule in the industrial society.

Political Aspects of the Union's Role

Political aspects of the role of labor organization in the industrial economy have changed radically from the early days of industrialization down to the present. At the outset, the political experiences of labor unions were largely negative in character, with legislative and judicial departments of government repressing and, on occasion, even prohibiting labor organization and/or its actions. In many nations, this phase of political relationship was prominent prior to the attainment of the right of suffrage by industrial workers. During this period, labor unions in virtually every nation developed some long-standing distrust of government in general which has been slow to die. A concomitant development was the feeling that only by gaining some participation in government could organized labor escape governmental repression.

Consequently, labor organization in the typical industrial economy, over time, has altered its political relationship from one of a negative character to one of a positive nature. As a result, in most industrial nations, labor parties, per se, exist today. In others, such as the United States, the organized labor influence is felt in every major election, while

the growing reservoir of labor legislation is in itself a testimony to the general success of the positive political program of labor organization.

The labor legislation which has resulted from the positive political programs of organized labor in this country is exceedingly wide in scope. On the one hand are found labor *relations* enactments which protect and even encourage the institution of unionism and its collective bargaining activities. On the other hand, there are numerous *substantive* labor laws dealing with the several economic problem areas discussed earlier in this volume, as well as with the peculiar types of economic insecurities faced by the industrial worker. Enactments in this category of labor law range all the way from minimum-wage legislation to the complex and sprawling social security provisions found on both state and federal levels.

It should be noted that organized labor's positive political action has been designed not only to prevent repression of labor unions by government but to do much more than this. Political action is viewed today by organized labor as a means for supplementing economic gains attainable through collective bargaining and also as a means for achieving certain aims which can be reached only through legislation. While political action of the modern labor movement has assumed a high degree of sophistication, it is possible that further refinements will be forthcoming in the future. The political *potentialities* of the industrial working class, measured in terms of sheer numbers, are tremendous. To date, with the exception of election years in which the economy was in dire straits, organized labor has not been too successful in "delivering the labor vote." It would be foolish and premature, however, to conclude that organized labor's political influence has reached its zenith, since this might well be reserved for some future period.

Social Aspects of the Union's Role

Largely as a result of organization, the industrial worker has attained a status within the industrial society undreamed of prior to this century. This status has been won and supported in the main by the industrial worker's improved economic and political participation. The organization of labor, which has given labor a significant voice economically and politically, has elevated labor from the status of industrial *subject* with virtually no rights to the status of industrial *citizen* with the right to a representative form of government within the industrial sphere if he so desires. Consequently, the industrial worker occupies a status within the total society which demands that his collective reactions and interests be considered before decisions which affect him are made and effectuated—assuming that the firm, industry, or governmental unit in question has a desire to insure a high degree of harmony among the various component groups.

Improvement in the social status of industrial workers obviously has not meant placing this group at the top of the social totem pole. It is still probably true that the production workers of an industrial nation are looked upon by most other groups as their social inferiors. Two real differences do exist, however, between the social status of production workers of the early 19th century and the social status of those of the 20th century: (1) the early 19th century industrial workers' status was so low as to be almost below the periphery, whereas in the mid-20th century, their status is high enough to accord them markedly better consideration and treatment; (2) the gap between the production workers' status in the 19th century and that, for example, of most white-collar groups was far greater than it is currently, i.e., most white-collar groups cannot today look down so far upon the once lowly production workers as they did in the 19th century. In fact, it becomes increasingly difficult for the white-collar workers to look down upon them at all, socially speaking, as the economic and political fortunes of production workers have risen to equal or even exceed those of many white-collar functionaries.

The industrial society is a society of many organized groups. Just being a member of one of the dominant organized groups conveys some status to the individual. It makes little difference, seemingly, that each member of the dominant groups can wield little influence therein; it is only necessary that he be represented by one of the recognized organizational entities. During the 19th century, and even the first three decades of this century, organized labor in this nation was not accorded much recognition; as a matter of fact, it was more often looked upon askance as an extralegal, if not actually illegal, institution. The past four decades, however, have not only seen labor organization recognized legally and judicially by the society, but they have also witnessed a significant shift in the balance of economic and political power as a result of this development. Similar shifts in status and power have occurred relative to labor movements in other nations—only the timing has been different. In most mature industrial nations the upward shift in the status and power achieved by the respective labor movements was gained much earlier than was the case in this country. The timing is of little importance today, however; the important thing to note is that in every single free enterprise capitalistic society, the labor movement as an institution has achieved a relatively high social status and has greatly disturbed the balance of economic and political power in each society. Furthermore, it should be observed that a sort of circular reaction is involved here: Greater economic and political power confers a higher social status upon labor which, in turn, means still greater economic and political power for labor. Presumably, at some point a peak could be reached before a possible leveling off or downturn may occur. The big question is whether

labor movements of the mature industrial economies have reached this peak as yet or whether their maximum influence is still to be attained at some future date. The potentialities appear to be great; on the other hand, there are possible developments which could alter the situation. Among these are the expected growth in the relative importance of the white-collar employees in the industrial nation's labor force and the effects which this trend could have upon the size, nature, and influence of the labor union movement.

Economic Problems Posed by Labor Organizations

While labor organization makes many positive contributions to its constituents and the economy in general as it discharges its role, it also raises many economic problems for the society which are frequently the subject of analysis. In the first place, it has often been charged that labor organization creates a monopoly problem within the labor market. As such, the labor union allegedly interferes with the labor market and the pricing mechanism in the allocation of the human resources of the economy. Blame is also lodged against labor unions for inflationary tendencies in the industrial economy. There is undoubtedly an element of truth in these assertions; many instances can be found where particular labor organizations have exercised tight control over the supply of labor and hence have been able to distort its price and its employment level, with resulting increases in commodity prices. On the other hand, it should not be thought that the choice is between a perfectly competitive labor market without labor unions and a monopolistic labor market with labor unions. The very factor which gave rise to the formation of labor unions in the first place was that of expanding monopsonistic powers on the part of employing units within the labor market. Thus, the curbing or elimination of labor organization could scarcely be expected to establish perfectly competitive labor markets. The problem of possible *excessive* monopolistic power on the part of many labor organizations does exist and probably will have to be handled in some way. Proposals range all the way from letting the situation alone and relying upon increasing maturity of labor unions to develop adequate self-restraint, to those urging antitrust legislation to break labor unions down into smaller units and to confine the scope of bargaining to the plant or firm. Between these extremes are proposals for the use of the force of moral suasion by governmental agencies to induce "reasonable" bargaining by labor unions and the enactment of legislation restricting the bargaining power of such entities. Regardless of the alternatives chosen, it appears that big employing units are here to stay and that these will be offset by retention of big labor unions. The economy, or some part of it, might yearn for the past, in which firms and unions were small, but all indications are that

this will continue to be mere wishful thinking. If this be true, it remains for the economy somehow to integrate such institutions into the overall framework in such a way as to maximize the advantages they offer while minimizing their disadvantages. This is not a simple problem, and many gropings and false starts will undoubtedly be made in this area before any substantial progress is registered.

Related to the monopoly issue is that of the possible effect of massive strikes upon the economy as a whole. With growth in size of employing units and labor unions has come an increasing tendency for bargaining to encompass whole regions and industries, or even to be nationwide in scope. Under such arrangements, it can no longer be contended that what happens in a lengthy strike is of concern only to the two parties themselves. This was most aptly illustrated in the record-breaking steel strike of 1959-60, whose direct and indirect effects permeated most of the economy. By the same token, of course, a wage agreement of industry-wide scope makes ripples on the pool of economic life which eventually reach the farthest economic shores. What precisely should be or can be done to "improve" matters, however, is still a moot question. As in the case of the monopoly issue, proposals vary all the way from that of relying on institutional self-restraint, which will allegedly come with increased maturity, to proposals urging early governmental intervention of a very positive variety in large-scale disputes.

Also related to the monopoly issue is the problem of the rate of technological growth as possibly affected by unionism. Thus, it has been contended by some that unionism slows down the rate of speed with which technology is introduced and hence affects adversely the economic progress and growth of the entire nation. Others have contended that the effect is the opposite of the one just noted, with unionism providing the needling of management which stimulates the introduction of technology rather than retarding it. Assuming that unionism does retard technological growth, the problem is intensified by the fact that underlying such action is the fear on the part of labor of technological unemployment. The solution of this problem must of necessity entail some means of insulating labor from the most adverse employment effects of more rapid technological development. Merely to restrain unionism would be to treat the whole problem superficially and would not really solve it at all.

Other miscellaneous economic problems attributed to unionism include the possibility that in protecting the worker from arbitrary discharge and discipline, unionism may have gone so far as to make it almost impossible for the firm to maintain an efficient, disciplined work force. In other words, in working to protect the interests of the employee as a free producer, the interests of the consumer or of the firm may have been excessively imperiled. Assuming this problem does exist to some extent, at least, it is extremely difficult to handle. It would appear that in

the main the bargaining strength of the employer must be relied upon in the final analysis to restore some degree of balance in the situation. To attempt to legislate the fine balance desired in this situation would border on the impossible. Also included among the problems allegedly posed by unionism would be those of the possible effects of unionism upon labor mobility and overall productivity. Of late, too, many have been concerned with the political problems inherent in union government relative to the degree of democracy afforded the membership—another type of problem which is extremely difficult to diagnose and to solve unless union membership itself wishes to act.

In summing up the problems posed by the institution of unionism, it might be worded somewhat as follows. In order to protect the worker as a producer in a labor market containing varying degrees of monopsony power, labor organization of necessity must marshal a degree of monopoly power. Once this has been accomplished, there is the danger that it will become excessive in so far as the interests of the economy in general are concerned. To strip from labor organization all of its economic power would reduce labor to the status of industrial subject which it once occupied. To reduce the monopoly power of labor organization just enough to produce the most desirable balance within the labor market from the standpoint of the economy as a whole is indeed a challenging and formidable task. For this task, there does not as yet appear to be an immediate and wholly satisfactory medium in the industrial world.

ROLE OF THE EMPLOYER AND EMPLOYERS' ASSOCIATIONS

The role of the employer and/or of associations thereof in the labor market is both economic and political in nature. Just as the role of labor organization has grown from a very simple to a highly complex one, so the role of the employer has changed appreciably with the passage of time.

Economic Aspects of the Employer's Role

At the outset of industrialization the economic facet of the employer's role in the labor market was mainly that of securing the necessary labor for his production needs and combining that labor with other resources in the most efficient manner possible. Other than being required by common law to maintain as safe and adequate a workplace and work force as could be expected of the reasonable man, the employer was considered to have no further responsibilities toward his employees. As time passed, however, and the industrial worker's educational level rose slowly, the employer was increasingly considered to have a minimum amount of responsibility for the economic and physical welfare of the

work force, if for no other reason than because it was considered to be an aid to worker motivation. Still later came the idea, expressed by representatives of corporate management, that such management was or should be a *steward* for the work force as well as for the stockholders and the firm's patrons.

With the maturation of the industrial economy, the employing unit has grown greatly as to average size, and with this growth has come quite a change in its economic role within the labor market. To be sure, the corporate employer, like the single proprietor who preceded it, must still secure labor in the labor market and try to combine it more or less efficiently with other productive resources. Additionally, however, since the corporate employer of the present must usually bargain collectively rather than individually, it must try to match the growing power and strategy of worker organization with an equal or greater power and strategy of its own. This has led inevitably to associations of many employing units and to regional and even industry-wide bargaining. During times of full employment, when the bargaining strength of worker organization is enhanced, the economic role of the employer or associations thereof in the labor market would appear to be that of resisting attempts on the part of organized labor to advance monetary incomes too rapidly or to decrease working hours too rapidly or to improve working conditions too rapidly for the firm's interests and, possibly, for the interests of the economy as a whole. This resistance power wielded by employing units and their associations should not be underestimated. It is highly valuable as a counterbalance to the very human tendency on the part of labor to want the impossible—just as the organization of workers constitutes a needed check on the human tendency of employing units to be too inconsiderate of short-run needs of the work force.

In so resisting the excessive demands which organized labor is likely to make, the employing unit or associations thereof help to draft labor contracts which will function as the basic law under which labor and management will work for a period of time. Both institutions—the union and the employing unit or associations thereof—are highly necessary in the modern industrial nation's labor market if a reasonably satisfactory degree of mutual accommodation in the production process is to be attained. While the employing unit sometimes appears to be the initiator of changes in the body of regulations under which labor and management operate, it is generally the union which initiates changes—the role of the employing unit has come to be primarily defensive in nature and will probably continue to be so in the foreseeable future.

While the discussion above has been directed at the employing units which face organized labor in the labor market, the role of employing units whose work forces are not organized is quite similar. It can even be

safely concluded that at least during periods of full employment, such employing units will be much affected by developments in the organized sectors of the economy. Thus, in such periods, they tend to stand with their organized counterparts in marshaling resistance to the overly enthusiastic demands of organized labor, which tend to be reflected also, if not so vocally, in the wishes of unorganized employees.

Political Aspects of the Employer's Role

As was noted relative to the economic aspects of the employing unit's role, so it may be said of the political aspects thereof that, over time, there has been a change from emphasis on offensive to concentration on defensive political activity. That is, in the infancy of unionism, the employer frequently took the initiative in this country to bring governmental agencies into labor disputes, in order to strengthen his efforts to defeat or even break the union. This phase of employer political activity was in evidence during the decades in which union membership was small and its political strength was virtually nonexistent. As an industrial nation such as the United States matures, however, and its labor movement attains status as a political power, employers and their associations gradually and painfully become aware of two changes: (1) Unions are often able to enlist governmental agencies in support of *their* position in labor disputes, and (2) unions are often able to secure the passage of favorable labor relations and substantive labor legislation. As this development unfolds, employers increasingly tend to adopt defensive political activities. On the one hand, they frequently try to keep governmental agencies out of industrial relations when it becomes apparent that it might be to the union's advantage for governmental agencies to enter the picture. On the other hand, employers and their associations maintain lobbyists whose primary purpose is to block the passage of labor legislation which would either strengthen unions in collective bargaining or provide certain benefits for industrial workers, which would involve rising labor costs for the firm. In this country, political action of employers and their associations has become quite defensive in nature, especially since 1930. It has been this same period since 1930 which has witnessed the rapid growth in labor organization membership, as well as its coming of age politically. This should not be interpreted to mean that the employer's role has been solely defensive. For example, since 1945 the employer has waged an offensive battle in the area of labor relations law as witness the Taft-Hartley Act and state "right-to-work" laws. Rather, the employer's defensive maneuvers have appeared to overbalance his offensive tactics—especially in the large and rapidly growing area of substantive labor law.

The defensive political role of employers and their associations is

important in the industrial economy. Any group which can wield massive political power unopposed tends to resort to an abuse of that power, as witness the tendency for employer groups so to behave during early decades of industrialization. The opposition which the employer interests can bring to bear on the overly enthusiastic political demands of labor groups may well serve as a much-needed balance wheel in the nation's legislative bodies which may cause the political gains of organized labor to be more moderate in nature and hence less conducive to imbalance in the total economy. By the same token, of course, now that labor wields some political power, employer interests find it more difficult to secure passage of highly reactionary legislation. The big question raised by these observations might very well concern itself with how an industrial nation can maintain a fine balance between these two political powers which will assure the passage of reasonably equitable legislation.

Economic Problems Posed by the Employer

The economic problems posed by employers and/or their associations within the labor market are similar to those posed by labor organization, in that they concern the production process and the people engaged therein; but they are the exact opposites of the problems posed by labor organization as to their potential effects. For example, if the organization of labor eventually confronts the labor market with the problem of excessive *monopoly* power, the employer and his associations may be just as likely to pose the problem of excessive *monopsony* power. To the extent that an employer or a combination of employers does attain a significant degree of monopsony power, wage rates, working hours, and working conditions may be adjusted other than in the best interests of the industrial employee—especially if a sizable amount of unemployment exists within the labor market in question or within the economy as a whole. Under such conditions the employer may arbitrarily regulate such aspects of employment as the work pace, the discipline of the work force, and the discharge of employees. What is involved here, essentially, is promotion of employer-desired efficiency, even at the expense of human welfare.

Just as labor organization may pose the problem of massive strikes and their ultimate effect upon the economy, so the large employing unit may confront the economy with the selfsame problem via a massive lockout or by inducing workers or their unions to strike. Just because it is the union which technically *calls* a strike, it need not follow that the strike has to be union-caused. If a strike appears to hold some economic advantage for a group of employers or even a whole industry with excessive inventories, there are numerous ways whereby workers or their unions can be goaded or incited to strike. The ultimate effects of a massive strike

upon the economy will scarcely be any the less undesirable because the strike in question has been employer-induced.

Just as unionism possessing a degree of monopoly power may be guilty of restraining technological development too enthusiastically, so employer interests possessing monopsonistic power may introduce technology so rapidly as to create a multitude of individual adjustment problems. In other words, the introduction of technology is desirable in the long run for the economy as a whole—too slow a rate of innovation is undesirable; too rapid a rate may also be undesirable. Labor organization may pose the former of these problems, while concentrated economic power on the side of the employer may pose the latter of these problems for society.

In summing up the economic problems raised by the large employing unit, it should be recognized that some concentration of monopsonistic power on its part is inevitable. Further, some monopsonistic power on the part of the employing unit is necessary in a mature industrial economy's labor markets, where some degree of monopoly power of mature unionism is almost sure to exist. The problem—as noted relative to unions—is how to avoid *excessive* concentrations of monopsonistic power on the part of employer interests and arbitrary use thereof. Solutions suggested and utilized have ranged all the way from curbing employer size and combination via antitrust legislation to the legislative encouragement of the building-up by workers of organizational monopoly power to match the power of the employer interests. As of the mid-20th century the problem has not been solved. In some labor markets the problem of excessive union monopoly power seems to be predominant; in other labor markets the problem is one of excessive monopsony power in the hands of employer groups. On balance, for the economy as a whole, views differ as to which concentration of power poses the real threat—if, in truth, either does.

It should be observed in passing that attention here has been confined to problems posed by the large employing unit within the labor market. Nothing has been said about the problems which might also be posed by this institution in the *commodity* market. It is highly possible that such a firm's monopoly power in the commodity market may constitute an even more serious problem than its monopsonistic power in the labor market—partly because the odds are greater for employee organization to exist than for consumer organization to be present to an effective degree.

An indication of the degree of concentration of economic power on the buyers' side of the labor market may be ascertained from the distribution of corporate profits in this country. Thus, as of the first quarter of 1964, the eight largest corporations were credited with 25 percent of total corporate profits. The next largest corporations—64 in number—claimed 18 percent of total corporate profits. Consequently, while the 72 largest

corporations produced 43 percent of all corporate profits, the remaining 1.3 million corporations accounted for only 57 percent of the total.¹ The affluent years of the automobile industry in the late 1960's saw industry's largest firm—General Motors Corporation—register gross receipts annually which were exceeded by the gross national products of only about 12 nations in the world. Thus, it is obvious that concern over the concentration of economic power should not be confined to the sellers' side of the labor market.

THE ROLE OF GOVERNMENT

The role of government in the labor market of the industrial economy, like those of labor organization and employer interests, has undergone gradual change since industrialization began. Concern here will be largely with the economic role of government, although there are acknowledged social ramifications also resulting from government's labor market activities. For example, labor's status has certainly been influenced over time by the predominant attitude of government toward labor and labor organization.

Economic Aspects of Government's Role

Since this industrial economy allegedly embraced a political philosophy of laissez faire in its infancy, it might be concluded that government initially played no role in the labor markets of the economy. This was not strictly true, however, since government, through the judiciary, was brought into labor disputes by the employer as early as 1806 in this country and even earlier, of course, in England, where industrialization was born. For most of the 19th century, government's major role in the labor market was that of strengthening the employer and curbing worker organization whenever the employer called upon government to do so. The rationale for this role was presumably the belief that in strengthening the employer, the free forces of the market would be enabled to operate in the most desirable allocation of labor and in the most equitable determination of working conditions.

This rationale, of course, was attacked by many during the 19th century; and even before organized labor became a real political power, government was increasingly being relied upon to play a more positive role in the labor market via child labor laws, mechanic's lien laws, laws relative to female workers, and safety legislation, to note a few types of positive intervention on the part of government to assist the market forces, especially in protection of the weaker bargaining units.

¹ See "Back of Worry Over Mergers," *U.S. News & World Report*, June 1, 1964, p. 74.

In every industrial nation of any consequence the labor market role of government has become even more positive as the labor movement has matured and has asserted its political prowess directly via a labor party in many nations or indirectly by the process of selling an established party on its objectives in other nations such as the United States. In addition to protecting the weaker elements in the market via child labor laws, minimum-wage laws, and a host of other substantive legislation, the role of government has even come to include the protection and encouragement of unionism and collective bargaining themselves as accepted institutions in the nation's labor markets. Further, the government has frequently functioned as the arbiter or mediator of disputes between the powers of the labor market—sometimes via compulsory arbitration; more often through the erection of voluntary mediation and conciliation services which are placed at the disposal of the two contending groups.

From protecting and encouraging the practice of collective bargaining, government in the United States, since 1947, has stipulated more and more of the rules and regulations under which collective bargaining is conducted. Additionally, government is at present entering into the regulation of internal affairs of the two bargaining parties—especially those of labor organizations—in an avowed attempt to insure democratic procedures on the part of bargaining agency leadership. There is, furthermore, a definite tendency for government to attempt to protect the interests of the general public from damage stemming from labor disputes of significant proportions. For example, former Labor Secretary Goldberg was on record as holding to the view that the central government, through the President, must have the power to halt strikes which impair the general economic welfare of the nation. In addition, on Secretary Goldberg's suggestion, President Kennedy created in 1961 a national tripartite labor and management advisory council to study and advise the President relative to the status of industrial relations.² Finally, for a short time starting in 1962, President Kennedy and later President Johnson experimented with the use of wage and price guidelines as a means of stabilizing the price level. Although abandoned later during the Johnson administration and rejected as inadequate by the Nixon administration, nevertheless the attempt at closer controls over the labor market on the part of the central government is significant. Thus, if government expands this facet of its labor market role, it will have moved in succession from the protection of the employer's economic rights, to the protection of the employees' economic rights, and finally to the protection of the economic rights of the general public in labor relations.

On the substantive level, government has erected an entire network of

² "A Union Plan to Ease 'Cold War' between Labor and Management," *U.S. News & World Report*, December 19, 1960, pp. 92-94; and "When Goldberg Takes Over as Secretary," *U.S. News & World Report*, December 26, 1960, pp. 79-81.

protective legislation. Included are the older items of minimum-wage laws and child labor laws, plus a vast system of social security enactments. Gone indeed are the days when the naked and unassisted forces of the market were allowed to shape economic matters therein, if such days ever really existed in the first place. It should also be noted in concluding this section that government—federal, state, and local—has become a significant employer within the labor market. As of 1969, total governmental employment in this nation amounted to almost 15 percent of total employment, on average. Thus, government undoubtedly wields some influence on labor market conditions through its practices as an employer, as well as through its labor laws and judicial decisions. Finally, the central government is a major contracting power in the economy for supplies and equipment as well as for construction. It utilizes this role to affect many wage rates and to discourage racial and other forms of discrimination.

Problems Posed by Government's Role

Just as the bargaining institutions within the labor market were observed as raising some economic problems for the nation, so also some problems are posed by government as its labor market role is played. One of the knotty problems in this area is that of the balance of political power. That is, how is an economy to be assured of a sufficiently even balance of political power in government between the two bargaining interests of the labor market, so that the best interests of the society as a whole will be served? If organized labor's political power greatly exceeds that of organized employer interests, governmental action and legislation may be expected to be unduly favorable to that segment of the economy. The problem of making such excessive power responsive to the overall interests of society would be great. On the other hand, if the political power of organized employer interests should greatly exceed that of organized labor, governmental action and legislation would tend to favor unduly the economic interests of the employing units of the society. Again, there would be the problem of making this power responsive to the best interests of the society at large. Until the 1930's, employer interests tended to hold the balance of political power in this country in so far as labor legislation was concerned. From 1930 until 1938, organized labor seized the balance of political power for a short time. Since 1938, the balance of political power has shifted first to employer interests, between 1939 and 1947, and, secondly, to somewhere near dead center since 1947, as the political conservatives and liberals have been about equal in strength in the central government as well as in many of the state legislative halls. As the future is speculated upon, each group is fearful that the opposite group will acquire excessive political power,

and no one is at all certain exactly how the balance will be tipped and therefore how the influence of government will be directed. As the Nixon administration assumed the reigns of governmental control in 1969—only the second Republican administration since 1932—it appeared as though the balance of governmental control had returned to employers' interests. However, the closeness of the election in 1968 and the possibility of a decline of Republican influence in the mid-term elections of 1970 probably reduced the significance of this shift in control to some degree.

Another problem posed by government's role is how far the central government should go in a democratic society in controlling the internal affairs and the collective bargaining activities of the bargaining agents. The central government of this nation—as well as many state legislatures—has gone farther in this area than governments of most other major democratic nations. The question which naturally arises here is how much farther government can go in this direction in allegedly protecting the rights and interests of individual constituents of the bargaining agents and those of the society as a whole and still retain an adequate amount of economic freedom for the labor market institutions. In actuality, of course, government could virtually dictate the internal government of labor and employer organizations and even replace bonafide collective bargaining with compulsory arbitration and resultant controls over prices, wages, and profits. In considering this problem and its solutions, the economy must weigh the possible net advantages of free collective bargaining against those of a national wage and price policy. It would appear that to date, at least, the economy prefers the former to the latter. Whether this continues to be its choice, however, will hinge on many variables, including the apparent ability or inability of the bargaining agents to make collective bargaining work with a reasonable degree of equity and responsibility in so far as the general economic welfare of the nation is concerned.

Finally, there is the problem as to which should constitute the primary responsibility of government, the maintenance of price stability or the assurance of full employment. At present the two goals seem somewhat incompatible, with the latter goal generally taking precedence over the former in most free enterprise societies. This in itself is an indication of the growth in political power attained by labor interests within industrial economies, although, to be sure, labor interests are not alone in the desire for full employment or in the impetus toward inflation. It may be observed that since 1960 some industrial nations appear to have been somewhat more interested in price stability than in maximum employment. Executive wage and price guidelines as used in both England and the United States would seem to illustrate this point. On closer examination, however, there has appeared to be the hope that *both* full employment and price stability can be achieved, a hope which has dwindled

with the failure of the guideline approach. Thus, for example, after a marked increase in the price level during 1968, spokesmen for the Nixon administration were observing in 1969 that unemployment might be pushed up to 4.5 percent in order to return greater stability to the price level.

THE PROBLEM OF INTERINSTITUTIONAL COOPERATION

In addition to the economic problems posed by each of the institutions operating in the labor market, as discussed earlier in this chapter, there is another all-embracing problem remaining to be discussed—that of cooperation between the principal labor market institutions. By cooperation, as the term is used herein, reference is made not to collusion between organized labor and employer interests but rather to a harmonious working-together of the two groups in the shaping of equitable labor/management agreements, as well as in the advancement of national productive efficiency. Also implied, of course, is an absence of naked warfare between the two principals, which can only result periodically in destructive interruption of the production process.

History of Interinstitutional Cooperation

Interinstitutional cooperation typically passes through different phases as the institutions in question mature in their relationships with one another. Since the relationships are not of the same age in the several labor markets of an economy, at any given time the institutions of some labor markets may have achieved a high degree of understanding and cooperation, while those of other labor markets may be only in a beginning stage of development. It should be observed also that varying lengths of time may be required for the maturation of cooperation in the various labor market situations, with a host of variables being responsible for the actual length of time required or the level of success achieved in the process.

The two institutions—organized labor and employer interests—typically begin their relationships in an atmosphere of *hostility and open warfare*. During this phase, employer interests make no secret of their desire to eliminate labor organization from the labor market, while the frequently deep hatred of organized labor for the employer is also quite apparent. Emphasis in this phase of the developing relationship is on increasing the share of production going to a given group at the expense of the opposite group, with virtually no attention given to enlarging cooperatively the total product. Bloody and violent altercations often flare up between the two institutions during this initial phase, with resultant wounds so deep as to require years to heal. At times the

relations between the institutions during this phase are so bad as to force the dismal conclusion that no progress will ever be made here relative to interinstitutional cooperation and that surely one or both of the institutions must of necessity perish before the battle sounds can cease.

But strangely enough, there is a second phase of institutional relationships which is reached by the majority of labor market institutions. This phase might be termed the phase of *armed truce and uneasy toleration*. This phase emerges as each institution eventually decides it is not going to eliminate the other from the labor market and that it must instead find some way of living with the opposite institution. Thus, during this phase the two institutions seek to negotiate the best labor agreements possible, all things considered. While disputes still often erupt in acts of violence during the course of a strike, the strike is used somewhat more sparingly than in the hostility phase, and the acts of violence tend to diminish as to both frequency and severity. There is still an attempt on the part of each institution to increase its share of the production returns; but occasionally, the two may cooperate halfheartedly in raising overall productive efficiency and hence total output.

It is probably safe to say that most labor market institutions in this country have moved from the initial phase to the second phase noted above. While many of the transitions are attributable to the influence of government through labor relations legislation, many have come about simply because both groups have become more realistic in their thinking and their approaches toward each other. In many instances, however—and notably in sections of the country such as the Midwest and the South, where industrialization has lagged—the initial phase of hostility and naked warfare is still the rule for many labor-management relationships. In other words, it would seem that reaching the second phase is not merely a matter of observing what others have done elsewhere, but rather a matter of each labor market's institutions evolving toward this phase on their own as their relationships ripen with age.

Finally, labor market institutions may attain the phase of *genuine cooperation*, although to date in this nation, only a minority have done so.³ This phase is characterized by mature trust and confidence on the part of each institution in the other and a resultant peaceful, nonviolent type of relationship between the two. Labor contracts are drafted with a minimum of heated argument and a maximum amount of rationality on the part of both groups. In this phase, there is a maximum amount of attention given to increasing overall productive efficiency, with virtually

³ Some might contend that this is too idealistic a term for the ultimate relationship which can be expected between these two institutions. As a result, the term *competitive cooperation* or something similar might appear to be more realistic to those who object to *genuine cooperation*.

no attention devoted to increasing the relative size of the production returns of either party. This permits much constructive work on the part of both groups to raise the level of man-hour productivity. Acceptance of each institution by the other in this phase is not based upon legislative compulsion, nor does it rest in a state of armed truce. Rather, each institution has come wholeheartedly to accept the other because of the confidence which years or decades of labor market relationships have instilled in the leaders and constituents of the two institutions. Similarly, both institutions have developed a measure of understanding and sympathy for the problems which each faces.

Future Possibilities

As noted above, the vast majority of the labor market institutions of this country have not achieved the third or ideal phase of genuine interinstitutional cooperation. It is often asserted that the attainment of this phase by all or most of the labor market institutions would be extremely beneficial to the institutions themselves and to the economy as a whole. This would be true, it is claimed, because only in this phase can a maximum degree of labor relations peace, as well as a maximum amount of national product, be achieved. Conceding that there is much to this argument, what are the possibilities for most interinstitutional relationships gaining this state of maturity?

Judging from what has happened in some nations, such as the Scandinavian countries, England, West Germany, and others, it is highly possible for a significant proportion of labor market institutions to attain the ideal phase of genuine cooperation. It has been slower in coming to this nation for a variety of reasons, which have been noted in earlier chapters. Considerable progress seems to have been made, however, since the 1940's. As a result, many students of labor relations are optimistic relative to their expectations of higher degrees of interinstitutional cooperation in the future. Time alone will tell whether their optimism is ill-founded.

A word of warning should probably be noted here, however. While improvement may be expected in the degree of cooperation which the labor market institutions may experience, it should not be thought that it will come overnight or that it will eliminate all labor relations problems. There will still be disputes over wage levels, working hours, and working conditions. There will still be conflict over the division of power between management on the one hand and labor organization on the other. It will continue to be asking too much to expect workers to become so efficient in the short run as to work themselves out of jobs or to expect employing units to introduce technological improvements at a rate which might jeopardize short-run earnings of investors. Human beings, whether labor-

ers or investors, are by nature short run as to interests and outlook, and will continue to stress short-run gains, and security of a particular nature, as opposed to long-run benefits for the economy as a whole.

Nevertheless, while it is not to be expected that the institutions in question will soon attain perfection in so far as interinstitutional cooperation is concerned, it may not be overly optimistic to expect them to travel in this direction rather than in the opposite one. It is possible that the third labor market institution—government—can be instrumental in fostering a higher degree of cooperation between the other two institutions than they might be able to reach on their own. By defining the rules of their relationships, by affording at least a minimum amount of economic and institutional security to the two groups, and through appropriate monetary and fiscal policy, government could conceivably improve the level of cooperation within the labor market.

IN CONCLUSION

In concluding this chapter as well as this book, it is appropriate to be reminded that the economic problems and insecurities of the industrial society have given rise to certain institutional developments common to such societies, namely, labor organization and employer organization within the labor market which, with their activities, have brought a third institution, government, increasingly into the labor market relationships. The result of this evolutionary development to date has been the erection of a vast network of labor agreements, labor legislation, and judicial decisions within which the labor market institutions function and by which many of the nation's economic problems and insecurities are more or less resolved. Having traced the development to this juncture, some writers have voiced the query as to whether any or all of the labor market institutions are to be any longer necessary in an economy where the basic economic problems and insecurities have allegedly been resolved. In such discussions, for example, some have especially questioned whether such an economy will have need in the future of a labor movement. Some writers have questioned whether the privately owned employing unit will be necessary or desirable in the future. Still other writers have questioned the need or advisability of government's role in the labor market.

While the role of each of the three institutions noted has definitely undergone change and will undoubtedly continue to do so, it does not seem likely that any one of these institutions is soon to be eliminated from the labor markets of a free enterprise economy. In the first place, the major free enterprise economies appear to cling tenaciously to the proposition that, generally speaking, private enterprise is to be preferred to public enterprise. Assuming that this proposition continues to receive

the support which it has thus far received, this obviously means that the privately owned employing units will continue to function within the vast majority of the labor markets. By the same token, industrial employees do not appear to be evincing any real signs of wanting to be rid of their organizational entities; most opinions to the contrary would appear to be largely wishful thinking on the part of certain writers who have never really accepted labor organization as a desirable institution. There will continue to be enough conflict over wages, hours, working conditions, and industrial worker insecurities to cause workers to desire the articulateness which only their own organizations can give them. At least, this seems as reasonable a conclusion for the foreseeable future as its counterpart, both of which must wait for time either to prove or to disprove. The relative growth of white-collar employees in the labor force of the nation would not seem to refute this proposition in the larger sense since many of them appear to be turning to collective negotiation of one type or another. Whether they join unions or white-collar associations makes little difference as long as these entities continue to behave more like labor unions. The cause of *employee organization and collective bargaining* in the larger sense is thereby advanced whether the membership of the AFL-CIO is or not and whether these new groups are thought of as a part of the "labor movement" or not.

And assuming the continued existence of organized labor and employer interests within labor markets, it seems reasonable to conclude that the need for a third party—government—will persist, if for no other reason than simply because each of the interests will attempt from time to time to gain some advantage by urging governmental intervention. There is yet another reason for continued labor market participation on the part of government, of course, and that is the fact that the public in general may demand further governmental intervention if interinstitutional disputes appear to pose too great a threat to the general economic welfare and/or stability. In fact, this concern could conceivably become so great at some future date that society, through government, would set up a system of compulsory arbitration which might entail constant governmental surveillance and determination of wages, profits, and prices. If this should transpire, it would indeed alter the functions of the labor market institutions, with government's role markedly transcending those of the other institutions. This is not to say that organized labor or employer institutions would thereby be eliminated, but rather that their roles would decline greatly as that of government rises.

Thus, as far as the labor markets of the free enterprise industrial nation are concerned, it would appear that the future holds the possibility of further evolutionary developments in the institutions thereof, but probably no radical changes in so far as their respective roles are concerned. Just as the institutions in question have evolved in response

to the peculiar economic problems and insecurities of the industrial society, so they will continue to give rise to certain problems on their own. Perhaps the most vexing of these in the future, in addition to that of maximizing the economic cooperation of the institutions in question, will be the problem of keeping their respective power responsibly in bounds. To date, this industrial society and most others do not appear to be near the solution of this problem. In this connection many spokesmen within this industrial society are often heard to yearn aloud for corporate and union leaders to act more “responsibly”—presumably toward the total society. This expression appears to overlook blindly the fact that, by their very nature, the *private* corporation and union leadership must act responsibly first and foremost toward their voting constituents. In fact, the nation may even have enacted legislation designed to assure such democratic responsibility, as witness the Landrum-Griffin Act of 1959. Thus, a very real dilemma would seem to have emerged at this point for the free enterprise industrial nation. Perhaps some ideal balance of the two varieties of “responsible behavior” is the solution if that balance can really be determined.

DISCUSSION QUESTIONS

1. Do you think the skepticism of labor groups concerning the ability of market forces to work with precision in the short run to be justifiable?
2. While labor organization may have restored a measure of collective control by labor over the economic aspects of employment, has the individual gained much in the way of direct control?
3. Will the political potentialities of the industrial workers and their families ever be realized? Why, or why not?
4. In what ways do you think the social status of the industrial worker has been improved over time?
5. Do you believe trade unions to be the sole or main cause of chronic inflation? Why, or why not?
6. How would you solve the monopoly problem posed by unionism, if you think one exists?
7. Can the employer really be a conscientious steward for the best interests of workers as producers? Why, or why not?
8. Cite some offensive or defensive political moves by employers or their associations in recent decades.
9. Discuss the monopsony problem posed by the large employer within a labor market. How would you minimize this problem?
10. What factors seem to favor the maintenance of a reasonable balance of power as between employers and organized labor within governmental agencies? What factors seem to militate against this desired balance?
11. Why is it probably unreasonable to expect the maximum degree of co-

operation between labor and management in industry? Is there ever any danger of labor/management collusion?

SELECTED READINGS

- BOWEN, WILLIAM G. (ed.). *Labor and the National Economy*. New York: W. W. Norton & Company, Inc., 1965.
- CLARK, JOHN M. *Economic Institutions and Human Welfare*. New York: Alfred A. Knopf, Inc., 1957.
- DUBIN, ROBERT. *Working Union-Management Relations*. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1958.
- GALBRAITH, JOHN KENNETH. *The New Industrial State*. Boston: Houghton Mifflin Co., 1967.
- HARRINGTON, M., and JACOBS, P. (eds.). *Labor in a Free Society*. Berkeley and Los Angeles: University of California Press, 1959.
- SELEKMAN, SYLVIA and BENJAMIN. *Power and Morality in a Business Society*. New York: McGraw-Hill Book Co., Inc., 1956.
- SHONFIELD, ANDREW. *Modern Capitalism*. New York: Oxford University Press, 1965.
- SLICHTER, SUMNER H. *The American Economy*. New York: Alfred A. Knopf, Inc., 1948.

INDEXES

NAME INDEX

A

Abbott, Leonard D., 57 n, 82, 257 n
 Abel, I. W., 395
 Albers, Henry H., 428
 Allen, Donna, 152
 Anrod, C. W., 13, 189, 469, 503, 575
 Arkwright, Richard, 239

B

Baber, R. E., 309
 Backman, Jules, 82
 Badenhoop, Louis, 584 n, 619
 Baker, Helen, 425 n, 428
 Bakke, E. Wight, 13, 189, 469, 503, 575
 Barach, Arnold B., 47
 Barbash, Jack, 196 n, 219, 368 n, 405, 469, 536
 Barkin, Solomon, 360 n, 371
 Barry, Carol, 152
 Beal, E. F., 469
 Beck, Dave, 513
 Belcher, David, 103 n
 Belitsky, A. Harvey, 196 n, 219
 Beman, L. T., 166 n
 Bernstein, Irving, 359, 371
 Beveridge, Sir William H., 43, 44, 231
 Binder, R. M., 181 n
 Blaustein, Saul J., 619
 Bliss, W. D. P., 181 n
 Bloom, Gordon, 576
 Bloy, Martin B., Jr., 255
 Bond, F. A., 309
 Bonnett, Clarence E., 407 n, 428
 Boulding, Kenneth, 75, 79, 80
 Boulware, Lemuel, 438
 Bowen, William G., 645
 Brackett, Jean C., 145 n, 289 n
 Bradley, P. D., 575
 Bromwich, Leo, 397 n, 405
 Brooks, George W., 368 n
 Browning, Elizabeth Barrett, 155 n
 Brozen, Yale, 585
 Burns, A. F., 255

C

Cairncross, A., 77
 Cairnes, John E., 40
 Cartter, Allan M., 82
 Chamberlain, Neil W., 166 n, 173 n, 186, 234, 469, 472 n, 477 n, 503
 Chamberlin, E. H., 575
 Chandler, Margaret K., 503
 Cheit, E. F., 309, 612 n, 619
 Chernish, William N., 469
 Christian, Virgil L., Jr., 359-60
 Clark, J. M., 193, 231, 233, 255, 645
 Clark, John Bates, 60, 67, 68, 69, 70, 71, 181
 Clemence, R. V., 262 n, 282
 Cohany, Harry P., 379 n
 Cohen, Morris, 13
 Cohen, W. J., 152, 224 n, 309, 619
 Cole, David L., 385 n
 Cole, George D. H., 320
 Commons, John R., 324-25, 327, 336, 371, 409 n
 Cooper, Sophia, 23 n
 Corson, John J., 291 n, 309, 619
 Cullen, Donald E., 92 n, 469

D

Dankert, Clyde, 180, 189, 512 n, 536
 Daugherty, C. R., 99, 177 n, 306
 Davey, Harold W., 469, 471 n
 Davis, Harry E., 136 n
 Daykin, Walter L., 218, 430 n, 481 n, 552 n, 556 n, 575
 Debs, Eugene, 349
 Dillard, Dudley, 282
 Dobb, Maurice, 70, 79
 Doody, F. S., 262 n, 282
 Douglas, Paul H., 152, 173 n
 Douty, H. M., 121 n
 Drucker, Peter F., 23
 Dubin, Robert, 645
 Dubinsky, David, 381
 Dunlop, John, 89, 92, 110, 440 n, 469

E

- Edgerton, John E., 166
 Eisenhower, President Dwight D., 201,
 479, 480, 484, 513, 514, 527
 Epstein, Lenore, 289 n, 290 n
 Estey, James Arthur, 245, 255, 283, 372
 Estey, Martin S., 567 n, 575
 Evans, Robert Jr., 575

F

- Fahey, Frank J., 243 n
 Faltermayer, Edmund K., 601 n
 Farber, David J., 196 n, 219
 Fauri, F. F., 224 n
 Fitzsimmons, Frank, 393
 Foltman, Felician F., 197 n
 Ford, Henry, 177
 Fourier, Charles, 342
 France, Robert R., 425 n, 428
 Frickey, Edwin, 255
 Friedman, Milton, 615–16

G

- Gabor, Dennis, 255
 Galbraith, John K., 43, 75, 222, 330, 645
 Galenson, Walter A., 317 n, 405
 Gambatese, Joseph M., 536
 Garbarino, J., 123 n
 Gardner, B. B., 200, 219
 Garrett, Paul, 529
 Gary, Judge Elbert, 166
 Gilbert, David, 575
 Ginzberg, Eli, 47
 Gitlow, Abraham L., 107 n
 Goldberg, Arthur J., 636
 Goldner, William, 118, 123 n
 Gompers, Samuel A., 348, 543
 Gordon, Margaret S., 47, 309, 619
 Gould, Jay, 346, 411
 Graham, Benjamin, 189
 Gray, Richard, 513
 Green, William, 351, 525
 Groner, Richard F., 479 n
 Grotjahn, Martin, 255
 Gunnar, Engen, 142 n

H

- Haber, William, 202 n, 219, 224 n, 309,
 619
 Hamel, Harvey R., 182, 183 n
 Hamilton, Alexander, 155
 Haney, Lewis H., 256 n, 259 n
 Hansen, Alvin H., 245, 255, 283
 Harrington, M., 405, 645
 Hartman, Paul T., 358 n
 Harvey, A., 219
 Hawtrey, R. G., 265–66
 Hayek, Frederick A., 265–68

- Healy, James J., 440 n, 469
 Henle, Peter, 187 n
 Herzog, Donald R., 580 n
 Heywood, Allan, 352–53
 Hicks, J. R., 76, 82, 178, 190
 Hobson, J. A., 13, 259–60
 Hollberg, Otto, 136 n
 Houff, James N., 167 n, 168 n
 Hoxie, Robert F., 322–24, 336
 Humphrey, Hubert, 511
 Hunter, Robert, 409 n, 428
 Hutcheson, Maurice, 513
 Hutchinson, John, 382 n, 405

J

- Jackson, President Andrew, 155, 176
 Jacobs, Paul, 364 n, 405, 645
 Jarrell, Alexander, 136 n
 Jevons, William Stanley, 260
 Johnson, President Lyndon B., 106, 146,
 184, 361–62, 480, 484, 514, 585,
 595 n
 Johnston, Dennis, 23 n
 Jouvenal, Bertrand De, 255
 Juglar, Clement, 246

K

- Kanninen, Toivo P., 120
 Kassalow, Everett M., 360 n
 Kennedy, President John F., 106, 361,
 466 n, 480, 484, 511, 636
 Kennedy, Van Dusen, 421 n, 428
 Kerr, Clark, 13, 40, 41, 44 n, 118, 189,
 395 n, 399, 405, 469, 503, 575
 Kessler, Matthew A., 250 n
 Keynes, John Maynard, 69, 70, 75, 268–
 81
 Kitchen, Joseph, 246
 Klein, Lawrence R., 283, 360 n
 Kondratieff, N. D., 246–47
 Kovarsky, Irving, 536, 558 n, 576, 619
 Kraft, John, 368–69
 Krislov, Joseph, 359–60
 Kuznets, Simon, 236 n

L

- LaFollette, Robert, 349, 510
 Lampman, Robert, 152, 619
 Landay, Donald M., 136 n
 Landis, J. M., 539 n
 Lasalle, Ferdinand, 316–17
 Lazar, Joseph, 576
 Lee, L. J., 309
 Leibenstein, Harvey, 585
 Lenin, Nikolai, 316–18
 Lerner, William, 129 n
 Lester, Richard A., 99, 330–31, 336, 405
 Levinson, Edward, 202 n, 219, 460 n
 Levinson, Harold M., 202 n, 219

Levitan, Sar A., 152, 619
 Lewis, John L., 95, 351, 352
 Lieberman, Elias, 339 n
 Lindblom, Charles E., 330
 Litwack, Leon, 372
 Livernash, Robert E., 219
 Lombardi, Vincent, 576
 Long, C. D., 28 n
 Luckett, Dudley, 152
 Lundeborg, Harry, 513
 Lunden, Leon E., 479 n

M

Malthus, Thomas, 55, 58, 258
 Mann, Floyd C., 189
 Manoff, M., 539 n
 Marshall, Alfred, 60, 61, 79
 Marshall, Ray, 405
 Marx, Karl, 315-16, 321
 Mathewson, Stanley B., 219
 Mayer, Lawrence A., 286 n
 Mayo, Elton, 199, 200, 219
 McBride, John, 348 n
 McCaffree, K. M., 116
 McCarthy, W. E. J., 487 n, 503
 McConnell, Campbell R., 283
 McConnell, John W., 291 n, 309, 619
 McDonald, David, 395
 McNally, Gertrude Bancroft, 47
 Meany, George, 386, 483, 528
 Meyers, Frederic, 501, 503
 Miernyk, William H., 372, 536
 Mill, John Stuart, 56, 58, 59, 60, 240, 259
 Miller, Glenn W., 544 n
 Millis, H. A., 156 n, 157 n, 170, 175, 222
 Mitchell, John, 329
 Mitchell, W. C., 255
 Modley, Rudolph, 47
 Modlin, G. M., 13
 Montgomery, R. E., 156 n, 157 n, 170, 175, 222
 Morgan, Chester A., 152, 444 n, 481 n, 498 n, 503, 569 n, 596 n, 619
 Morgan, James N., 270 n
 Morgan, Theodore, 223 n, 231, 283
 Murray, Philip, 352
 Myers, Charles A., 47, 94, 110

N

Nixon, President Richard M., 107-8, 511, 517
 Northrup, Herbert R., 189, 576

O

Ober, Harry, 117, 119, 120
 Oberer, W. E., 405
 Okun, Arthur M., 283
 Oppenheimer, Valerie Kincade, 47

Orshansky, Mollie, 289 n
 Owen, Robert, 342-43

P

Parker, Carlton H., 329-30
 Parker, Sanford S., 286 n
 Parnes, H. S., 47
 Parrish, J. B., 99, 177 n, 306
 Patterson, Howard S., 316 n
 Patton, J. A., 110
 Peel, Sir Robert, 239
 Perella, Vera C., 25 n, 47, 128 n
 Perlman, Mark, 331-32, 336
 Perlman, Selig, 327-29, 334, 336, 338 n, 344 n, 372
 Perry, L. B., 309
 Peterson, Florence, 154 n, 155 n, 166 n
 Petrillo, James, 555 n
 Phalen, J. John, 243 n
 Philips, Irving P., 379 n
 Phillips, A. W., 231
 Pierson, Frank C., 110, 152, 372, 423 n, 428
 Pigou, A. C., 70, 84, 85, 86, 87, 88, 178, 190, 263-65, 283
 Pinkerton, Robert A., 409 n
 Polanyi, Karl, 13, 51 n
 Pound, R., 575
 Powderly, Terence, 345
 Pulsipher, Allan G., 500 n, 503

Q

Quesnay, F., 54

R

Rayback, Joseph G., 339 n, 372, 428, 485 n
 Reder, Melvin, 190
 Rees, Albert, 123 n
 Reilly, G. D., 575
 Reuther, Walter, 138, 141, 352, 386, 389, 394 n, 525, 527
 Reynolds, Lloyd, 69, 77, 100, 117, 121 n, 122, 124, 126, 129, 152
 Ricardo, David, 55, 57, 58, 257
 Roberts, B. C., 405
 Rogers, James E. T., 239
 Roosevelt, President Franklin Delano, 479, 510, 511, 512, 522, 550, 595
 Roosevelt, President Theodore, 544
 Ross, Arthur M., 89, 90, 91, 92, 110, 123 n, 209, 219, 330, 358 n, 446 n, 469
 Roszak, Theodore, 255
 Rowe, J. W. F., 76, 77

S

Saben, Samuel, 210 n
 Samuelson, Paul A., 232, 255

Sanborn, Henry, 128 n
 Say, J. B., 258
 Sayles, Leonard, 375 n, 400 n, 405
 Scaff, A. H., 309
 Schlesinger, James R., 98 n
 Schultz, George P., 47, 108, 110
 Schumpeter, Joseph, 246, 261-63
 Scoville, James G., 47
 Selekman, Sylvia and Benjamin, 98, 645
 Seligman, Daniel, 166 n
 Seltzer, George, 576
 Senior, Nassau, 59
 Sexton, Brendon, 381 n
 Shaw, Chief Justice Lemuel, 342
 Shister, Joseph, 231 n, 372
 Shonfield, Andrew, 645
 Simkin, William E., 433 n, 469
 Simons, Henry, 330
 Sismondi, Jean, 258
 Slichter, Sumner H., 5, 204, 645
 Smith, Adam, 54, 55, 56, 61, 70, 237, 257, 314-15, 406
 Smythe, Cyrus F., 219
 Solomon, Benjamin, 358 n, 372
 Solow, Robert M., 232 n, 255
 Somers, Herman M., 601 n, 619
 Sorel, Georges, 316-17
 Spiethoff, Arthur, 259
 Stephens, Uriah S., 345
 Stevenson, Adlai, 511, 514
 Steward, Ira, 164
 Stieber, 405
 Stigler, George J., 47
 Stotz, Margaret S., 619
 Strasser, Adolph, 348
 Strauss, George, 360 n, 375 n, 400 n, 405
 Sultan, Paul E., 372
 Sykes, Gerald, 255
 Sylvis, William H., 345

T

Taft, Cynthia, 117, 121 n, 122, 124, 126, 129, 152
 Taft, Philip, 157 n, 407 n, 460 n, 575
 Taft, Senator Robert, 514
 Tannenbaum, Frank, 326-27, 336
 Taussig, F. W., 59, 82
 Taylor, Albion Guilford, 576
 Taylor, Frederick, 139

Taylor, George W., 82, 110, 152, 455 n
 Thompson, Warren S., 47
 Tobin, James, 615
 Tolles, N. Arnold, 80, 82
 Toner, James L., 485 n, 503
 Toynbee, Arnold, 23, 24
 Travis, Herman, 237 n
 Truman, President Harry S., 136, 479, 510, 514, 522, 595
 Turgot, A. R. J., 54
 Turnbull, J. G., 309, 612 n, 619
 Turner, Marjorie S., 82
 Tyler, Gus, 372

U

Uphoff, Walter H., 469

V

Van Buren, President Martin, 176, 587
 Vieg, J. A., 309

W

Wagner, Martin, 575
 Walker, F. A., 59
 Wallace, George, 511, 514, 515, 517
 Warren, Chief Justice Earl, 563
 Webb, Sidney and Beatrice, 70, 318-20, 321, 336, 430
 Weinstein, Paul A., 219
 Wickersham, E. D., 469
 Wiener, Norbert, 243
 Wilensky, Harold L., 47, 188 n, 190
 Wilkinson, Jon, 255
 Williams, C. A., 309, 612 n, 619
 Williams, G., 225 n
 Wilson, President Woodrow, 158, 349, 510, 543
 Wirtz, Willard, 585
 Woll, J. Albert, 566 n
 Wolman, Leo, 372
 Wootton, Barbara, 75, 76, 77, 79, 110
 Wortman, Max Jr., 424 n
 Woytinsky, W. S. and Associates, 47, 80 n, 127 n, 129 n, 152, 156 n, 249 n, 255, 309
 Wright, D. M., 152

Y

Yoder, Dale, 179, 425 n, 428

SUBJECT INDEX

A

Acceleration principle, 277-79
 Adamson Act of 1916, 159, 587
 Advisory Committee on Labor-Management Policies, 480
 AFL; *see* American Federation of Labor
 AFL-CIO; *see* American Federation of Labor-Congress of Industrial Organizations
 Age Discrimination Act of 1967, 597
 Agency shops, 491
 Aggregate demand and supply, 279-81
 Aldrich Committee, Senate, 156
 Alliance for Labor Action, 1968, 388-89
 Aluminum Company of America, 95
 Amalgamated Clothing Workers, 95
 Amalgamated Meat Cutters and Butcher Workers of America, 527
 American Assembly, 82, 152
 American Federation of Government Employees, 362-63
 American Federation of Labor, 157, 347, 348-51, 352, 367, 488, 510, 525, 543
 American Federation of Labor-Congress of Industrial Organizations, 96, 97, 107, 183, 244, 353, 363, 367, 368-69, 381-82, 383-87, 388, 402-3, 417, 433, 464, 483, 511, 512, 513, 514, 520, 525, 526, 528, 594, 616, 643
 American Federation of State, County and Municipal Employees, 362-63
 American Federation of Teachers, 362
American Federationist, *The*, 163, 386, 516 n, 537
 American Iron and Steel Institute, 135 n, 531
 American Motors Corporation, 141-42
 American Nurses' Association, 363
 American Railway Express Company, pension plan, 135, 349
 American Railway Union, 411
 Anti-Boycott Association, 412

Apex Hosiery Company v. Leader, 546
 Area Redevelopment Act of 1961, 607
 Associated General Contractors of America, 422-23
Associated Press v. NLRB, 553 n, 568 n
 Assumption of risk doctrine, 599
 Automatic absorption theory, 239-40
 Automation, effects on employment, 241-44

B

Bituminous Coal Commission, 159
 Board of Governors, Federal Reserve System, 522
 Boulwareism, 438
 Boycott
 legality of, 455-57
 nature of, 455
 primary, 455
 secondary, 456-57
 Brotherhood of Railway Clerks, 393 n
 Bureau of Agricultural Economics, 17, 20
 Bureau of Apprenticeship and Training, 197
 Bureau of the Census, 14, 15, 16-20, 22, 23, 29, 30, 33, 45, 72, 112, 119, 128, 129 n, 226, 286, 287, 354, 365, 448 n, 609 n
 Bureau of Employment Security, 17, 20-21
 Bureau of Labor-Management, 566-67
 Bureau of Labor Standards, 619
 Bureau of Labor Statistics, 18, 19-20, 22, 23, 27, 34, 35 n, 45, 47, 83, 84 n, 111, 124, 136 n, 139, 142, 144, 145, 150, 155 n, 167, 171, 190, 209, 226, 235 n, 255, 289, 297, 300, 301, 355, 357, 366, 377 n, 421, 428, 430 n, 447, 451, 453, 479, 493
 Bureau of National Affairs, 426, 562 n, 575, 597
 Bureau of Standards, 579 n
 Business cycles, types of, 246-47; *see also* Employment theory

Buy American Act of 1955, 606
 Byrnes Act of 1936, 460, 553 n

C

Ca' canny, 443-44
 Carnegie Steel Company, 158
 Census of Population, 17-18
 Chamber of Commerce of the U.S., 131-35, 152, 417, 418, 516, 532-33, 536
 Chase Manhattan Bank, 242 n, 533 n
 Checkoff, 491-92
 Chemical Workers, 389
 Child labor, 1832, 155-56
 Child labor legislation
 early state laws, 156, 176
 federal laws, 590-94
 history of, 590-93
 Chrysler Corporation, 141, 352, 443
 Civil Rights Law, 1964, 513, 595-96, 597
 Clayton Antitrust Act, 1914, 543-44, 545
 Closed shop, 488-89
 Coffee breaks in industry, 168-69; *see also* Hours of work
 Collective bargaining
 coalition bargaining, 435
 coordinated bargaining, 435
 culmination in contract, 440-41
 determinants of bargaining limits, 88-97
 employer and union recognition, 435-36
 versus individual bargaining, 70-71
 intrafirm organization for, 425-26
 nature of proposals and counterproposals, 438-40
 negotiation by employer, 436-38
 negotiation by union, 431-35
 origin of term, 430
 union recognition, 430-31
 Commerce Clearing House, Inc., 436, 459 n, 469, 562 n, 575, 588 n, 619
 Committee on Church and Economic Life, 469
 Committee for Economic Development, 47, 255, 405
 Committee on Ethical Practices (AFL-CIO), 402, 403
 Committee for Industrial Organization, 351
 Committee on Political Education (AFL-CIO), 385, 511
Commonwealth v. Hunt, 341-42, 540
 Communication Workers of America, 381, 446, 527
 Communist Control Act of 1954, 560-61
 Communist Manifesto, 315-16
 Communist Party, U.S., 563
 Company unions and the law, 552 n

Compensation of employees
 defined, 114
 trends in, 116-30
 Compensatory fiscal policy, 275-77
 Conference on Economic Progress, 152
 Congress of Industrial Organizations, 351-54, 443, 510, 511, 512
 Contract Labor Law of 1864, 409
 Contributory negligence, doctrine of, 599
 Copeland (Kickback) Law of 1934, 583
Coronado Coal Company v. United Mine Workers, 546
 Council of Economic Advisers, 113, 145, 162, 228, 245, 248, 289
 Criminal Conspiracy doctrine, 539-40

D

Danbury Hatters case, 412, 456, 542-43, 546; *see also* *Loewe v. Lawlor*
 Davis-Bacon Law of 1931, 105, 106, 580-81
 Democratic Party, 510-11
 Discipline, worker, 216-17
Duplex Printing Press Company v. Deering, 544-45

E

Earnings; *see* Wages and Compensation of employees
 Eastern Railways, Bureau of Information, 532
 Economic Opportunity Act of 1964, 607
Economic Report of the President, 248, 249 n
 Economics as a science, 5-8, 74-80
 Effective demand, 279-81
 Eight-Hour Law of 1940, 588
 Electrical Workers, 392
 Employees' Compensation Act, federal, 601-2
 Employer
 antiunion tactics, 461-62
 back-to-work movement, 460-61
 black list, 462
 and company union, 462
 counter-arguments in wage negotiation, 96-98
 economic problems posed by, 633-35
 economic role of, 630-32
 and espionage, 461-62
 and farming out struck work, 461
 and lockouts, 459-60
 minimum and maximum wage levels, 100-101
 and open-shop movements, 462
 and paternalism, 462
 political role of, 632-33
 and private police systems, 462

Employer—Cont.

- and propaganda, 462
- stewardship concept of, 631
- and strikebreakers, 460
- and wage policies, 98–101
- and willingness to pay wages, 99
- and yellow dog contracts, 462
- Employer liability laws, 599, 601
- Employers' associations
 - classification of
 - functional, 414–16
 - structural, 416–17
 - extent of association bargaining, 420–24
 - geographic scope of, 417–18
 - government and finance, 418–19
 - history of, 407–13
 - legislative activities of, 518–23
 - effectiveness of, 522–23
 - goals of, 518–19
 - reasons for, 519–20
 - techniques used in, 520–22
 - political activities of, 515–18
 - effectiveness of, 517–18
 - nature of, 515–17
 - problems of, 419–20
 - public relational activities of, 528–34
 - effectiveness of, 533–34
 - reasons for, 529
 - timing of in re unions, 406–7
 - on West Coast, 421 n
- Employers' Liability Law of 1908, 601
- Employment
 - industrial distribution, 28–30
 - occupational distribution, 30–32
 - other shifts in, 32–35
 - production v. nonproduction workers
 - in manufacturing, 33–35
- Employment Act of 1946, 606
- Employment theory
 - innovations theory, 261–63
 - monetary theories, 265–68
 - in nineteenth century, 257–61
 - overinvestment theory, 266–68
 - psychological explanations, 263–65
 - in twentieth century, 261–81
 - underconsumption theories, 259–60
 - underinvestment theory of Keynes, 268–81
- Equal Employment Opportunities Commission, 596
- Escalator clauses, 148–49
- Ethical Codes Committee (AFL-CIO), 402, 403
- Ethical Practice Codes (AFL-CIO), 528
- Executive Order 10988, 361
- Exploitation of labor under monopsonistic competition, 64–67

F

- Fabian Society, 318 n
- Fair Employment Practice Committee, Federal, 595–96
- Fair Employment Practice Laws
 - federal, 595–96
 - state, 596–97
- Fair Labor Standards (Wage and Hour) Act of 1938, 161, 162, 169, 184, 581–82, 593–94; *see also* Hours of work *and* Wages
- Featherbedding, 201, 202, 555
- Federal Corrupt Practices Act of 1925, 557
- Federal Mediation and Conciliation Service, 214, 432–33, 557
- Federal Society of Journeymen Cordwainers, 338–39
- Federation of Organized Trades and Labor Unions of United States and Canada, 157, 348
- Fellow servant rule, 599
- Financial Executives' Institute, 152
- Forced savings concept, 267
- Ford Motor Company, 137, 141, 166, 177, 352, 516
- Fraternal Order of Police, 363
- Fringe benefits; *see* Wages
- Full employment defined, 230–33

G

- General Electric Company, 435, 438, 516, 530, 532
- General Managers Association of 1885, 411
- General Motors Corporation, 141, 149, 352, 443, 490, 528–29, 530, 635
- Goodrich Tire and Rubber Company, 163
- Goods industries
 - defined, 32–33
 - employment in, 33
- Goodyear Aerospace Corporation, 95
- Government
 - economic role in labor markets, 635–37
 - problems posed by government's role in labor markets, 637–39
- Government Contract Committee, 595
- Great railway strike of 1877, 411
- Greenbackism, 345
- Grievance systems, 213–17; *see also* Working conditions
- Guaranteed annual wages, 137–39; *see also* Wages

H

- Hammer v. Dagenhart*, 592 n
- Haymarket Square Riot, 346–47
- Health and decency budget concept, 142–46

- Hiring age limits, 291-92
- Homestead Act of 1862, 342-43
- Homestead steel strike, 1892, 158, 349
- Hot cargo concept, 563
- Hours legislation
 - federal laws, 587-88
 - state laws, 588-89
- Hours of work
 - arguments for shorter, 163-66
 - and cyclical fluctuations, 185
 - economic aspects of changes in, 172-76
 - effect of decrease on employment, 173-75
 - effect of strike threat on, 178-79
 - forces initiating cuts, 176-79
 - four-day week, problems of, 186
 - future of, 179-87
 - and governmental influence, 184-85
 - group and social decisions on, 169-71
 - history of, 153-63
 - indirect regulation of, 167-69
 - initial impact of industrialization on, 154
 - and international relations, 185-86
 - versus leisure in U.S., 172-73
 - and man-hour productivity, 184
 - national preference for leisure, 180-82
 - nominal v. actual, 187-88
 - optimum hours concept, 170-72, 180-82
 - and policies of unions, 183-84
 - sabbatical year approach, 183-84

I

- Immigration, trends, 37-38
- Industrial accidents
 - and categories of industries, 299-301
 - causes of, 303-5
 - costs of, 302-3
 - defined, 295
 - frequency rate, 295-96
 - measurement of, 295-96
 - severity rate, 296
 - trends in, 296-99
- Industrial Relations Research Association, 423 n
- Industrial Workers of the World, 322, 350
- Injunction
 - defined, 544-45
 - private versus governmental, 545
 - regulation of by law, 548-49
 - in Taft-Hartley Act, 556
- Innovations, theory of, 261-63; *see also* Employment theory
- International Association of Fire Fighters, 363

- International Association of Machinists v. Street*, 558 n
- International Confederation of Free Trade Unions, 386
- International Ladies Garment Workers, 95, 322, 381, 392
- International Longshoremen's Association, 402
- International Molders Union, 412
- International Typographical Union, 159, 398
- International union, defined, 367-78
- Iron law of wages, 317 n

J

- Job Corps, 607-8
- Job evaluation
 - classification system, 102-3
 - defined, 102
 - factor comparison system, 103
 - objectivity of, 102-4
 - point systems, 103
 - ranking system, 102
 - related to collective bargaining, 104-5
 - and union opposition to, 104-5
- J.O.B.S., 608
- Johnson administration, 231, 280, 585
- Joint Economic Committee of Congress, 73, 228, 255, 525, 606
- Journal of Human Resources*, 196 n

K

- Kaiser Steel Company, 141, 423, 454 n
- Kennedy administration, 106, 184, 231, 361, 530
- Knights of Labor, 157, 345-47, 409, 410, 411
- Knights of St. Crispin, 410

L

- Labor
 - defined, 1-2
 - demand for, national, 69-70
- Labor contracts
 - content, 463-65
 - determinants of, 464-65
 - and industrial government, 465-67
 - number in U.S., 54, 83
 - origin of written contract, U.S., 440-41
 - terms classified, 463-64
 - writing of, 441
- Labor economics
 - defined, 4
 - importance of, 4-5
 - and obstacles to use of scientific method in, 6-8
 - and scientific method, 5-6
 - scope and outline of, 11-12

Labor force

- age composition, 22-23
- agricultural v. nonagricultural segments, 25-26
- civilian, 15-16
- the employed, 16
- increase in, projected to 1980, 26-27
- insured unemployed, 16-17
- participation rates, 26-28
- sex composition of, 23-24
- sources of data on, 17-21
- total, 14-15
- the unemployed, 16-17, 226-27

Labor force participation rate, 28; *see also* Labor force

Labor market

- administered or automatic, 93-94
- defined, 40-41
- economic pressures and degree of unionization, 94-96
- and impacts of industrialization, 42-45

Labor movement

- amalgamations of, 1866-1885, 345-47
- defined, 313
- and early labor parties, 340-41
- extent of modern disunity in, 369-70
- factors in growth of, 354-58
- federation, 348-51
- first city central, U.S., 340
- first unions, 338-40
- and government, 367
- industrial unionism, 351-54
- leadership, 367-68
- modern trends in, 363-69
- national unions, 343-45
- power centers of, 366-67
- pyramidal structure of, 337
- regional diffusion of membership, 364-66
- types of organization, 364
- and utopian/cooperative digressions, 342-43

Labor movement theory

- American theories summarized, 331-32
- Cole's partnership theory, 320
- Commons' environmental theory, 324-25
- conclusions on, 332-35
- in eighteenth century, 314-15
- Galbraith's countervailing power theory, 43, 330
- Hoxie's functional theory, 322-24
- of Lasalle, Sorel and Lenin, 316-18
- Lester's union maturation theory, 330-31
- Marx's labor exploitation theory, 315-16

Labor movement theory—*Cont.*

- Mitchell's economic protection theory, 329
- nineteenth century theories summarized, 320-21
- Parker's psychological theory, 329-30
- Perlman's scarcity-consciousness theory, 327-29
- Tannenbaum's theory, 326-27
- Webbs' industrial democracy theory, 318-20

Labor relations law

- antitrust law period, 1890-1931, 541-46
- common law era, 1790-1889, 539-41
- Communist Control Act, 1954, 560-61
- Landrum Griffin (Labor-Management Reporting and Disclosure) Act, 1959, 561-68
- National Industrial Recovery Act, 1933, 430, 549-51
- nature of, 538-39
- from 1932 on, 546-72
- Norris-LaGuardia (Anti-Injunction) Act, 1932, 548-49
- Railway Labor Act, 1926, 547-48
- state anti-injunction laws, 569
- state "little Taft-Hartley Laws," 571
- state "little Wagner Acts," 569-70
- state right-to-work laws, 571-72
- Taft-Hartley (Labor-Management Relations) Act, 1947, 553-60
- Wagner (National Labor Relations) Act, 1935, 217, 551-53

Labor unions

- and ability-to-pay wage argument, 96-97
- and apprentice training, 196-99
- approach to technological developments, 203-4
- conception of by writers, 89-90
- concern for money v. real wages, 114
- cooperation with management by leaders, 95-96
- and cost-of-living wage argument, 96
- dues and fees, 389-90
- economic considerations in bargaining, 94-95
- economic problems posed by, 628-30
- economic role of, 624-25
- fair list, 458
- investments of, 391-92
- latitude of leaders, 91-92
- legislative activities of, 518-23
 - effectiveness of, 522-23
 - goals of, 518-19
 - reasons for, 519-20
 - techniques used in, 520-23
- membership v. employment goals, 91

Labor unions—*Cont.*

- membership in U.S., 1968, 39
 - membership trends, U.S., 354–58
 - and noneconomic motives, 88 ff.
 - political action agencies of, 511–12
 - political activities of, 508–15
 - effectiveness of, 513–15
 - history of, 509–11
 - reasons for, 508–9
 - specific activities, 512–13
 - political goals of leadership, 92–95
 - political role of, 625–26
 - and prevailing wage argument, 96
 - and productivity wage argument, 96
 - public relational activities of, 524–28
 - devices used in, 525–28
 - reasons for, 524–25
 - “real” membership measures, 356–58
 - role of in economy, 624–31
 - and sabotage, 458–59
 - and salaries of leaders, 393–94
 - social role of, 626–28
 - and strike vote, 459
 - and strikes, 442–55
 - total annual income of, 392
 - unfair list, 458
- Labor's League for Political Education (AFL), 511
- Labor's Non-Partisan League, 511
- Labour Party, England, 320, 445
- Landrum-Griffin (Labor-Management Reporting and Disclosure) Act, 1959, 353, 379, 380, 390, 394, 396, 399, 402, 413, 443, 456, 458, 488, 511
- Law of diminishing returns, 61
- Law of the markets, 258; *see also* Employment
- Law and Order Leagues, 411
- Law of scale, 61
- Laws protecting women, 594–95
- Life expectancy, U.S., 287–89
- Liquidity preference concept, 274–75
- “Little Steel” strike, 352
- Loewe v. Lawlor* (1908), 542 n
- Longshoremen and Harbor Workers' Compensation Act of 1916, 602
- Lump of labor theory, 164–65

M

- McClellan Committee, Senate, 353, 396–97, 401–3, 561
- Maintenance of membership, 490–91
- Managerial prerogatives
 - and bilateralism, 476–78
 - and corporate form of business, 474–75
 - and the courts, 481
 - defined, 471–72
 - in English common law, 472–73
 - evaluation and future of, 482–84
- Managerial prerogatives—*Cont.*
 - history of, 472–77
 - and management rights clause, 478–79
 - and NLRB decisions, 481
 - and Presidential conferences, 479–80
 - and unilateralism, 472–74
- Manpower Development and Training Act of 1962, 607
- Marginal propensity to consume, 277–78
- Maryland v. Wirtz*, 582 n
- Mechanic's lien laws, 586
- Medical Aid to the Aged, 613–14
- Medicare, 613–14
- Memorial Day Massacre, 1937, 352 n
- Migration, rural/urban, 37–38
- Miller Act of 1935, 586
- Mohawk Valley Formula
 - nature of, 461
 - and Remington Rand Company, 461
- Multiplier concept, 277–78

N

- National Association of Letter Carriers, 521
- National Association of Manufacturers, 166, 412, 417, 418, 483 n, 531–32
- National Bureau of Economic Research, 236 n
- National Citizens Political Action Committee, 512
- National Colored Labor Union, 347
- National Cooperative Association of Cordwainers, 341
- National Education Association, 362
- National Founders Association, 412
- National Industrial Conference Board, 113, 160, 162, 211, 286, 292, 354, 528
- National Industrial Recovery Act of 1933, 161, 549–50, 580; *see also* Labor relations law
- National Labor Board, 550
- National Labor Relations Board, 352, 430, 433–34, 435, 438, 443, 444, 460, 481, 489, 496, 497, 521, 522, 551
- National Labor Union, 345
- National Mediation Board, 547
- National Metal Trades Association, 412
- National Recovery Administration, 161
- National Reform and Labor Party, 345
- National Revenue Act of 1919, 593
- National Safety Council, 298, 302, 304–5
- National Trades Union, 1834, 341
- National unions
 - constitutions, 377–79
 - control over locals, 379–81
 - conventions, 377–79

National unions—*Cont.*
 headquarters, 381–82
 services to locals, 380–81
 trusteeship devices, 379, 397
 National War Labor Board, 352, 490
 National Woodwork Manufacturers' Association v. NLRB, 563 n
 Negative income tax, 615–16
 Negro American Labor Council, 388
 Negroes

and apprentice training, 198
 occupational distribution of, 40
 and strike-breaking, 410
 and unemployment incidence, 249–50
 and union discrimination, 388
 Neutral money concept, 268
 Nixon administration, 107, 108, 231, 585, 639

NLRB v. Friedman-Harry Marks Clothing Co., 553 n

NLRB v. Fruehauf Trailer, 553 n

NLRB v. General Motors, 491 n

NLRB v. Jones and Laughlin Steel Corporation, 552

Norris-LaGuardia (Anti-Injunction) Act of 1932, 456–57; *see also* Labor relations law

O

Occupational disease
 causes classified, 306–7
 costs of, 307
 defined, 305–6
 and employee insecurity, 305

Old age
 causes of economic dependency in, 294
 and economic dependency, 288–90
 and employment, 293
 and industrialization, 284–85
 and population trends, 284–86
 trends in life and retirement expectancy, U.S., 287–88

Old Age, Survivors, Disability, and Health Insurance (OASDHI), 609–11; *see also* Social Security legislation

Older person defined, 285

Overoptimism/overpessimism theory, 263–65; *see also* Employment theory

P

In re Pacific Telephone and Telegraph Company, 444 n

Paid holidays, 167; *see also* Hours of work

Paid vacations, 167–68; *see also* Hours of work

Phillips Curve, 232

Picketing
 legality of, 457–58
 nature of, 457
 stranger, 458
 and violence, 457

Pinkerton Detective Agency, 409 n

Planned savings and investment, 271–73

Political Action Committee (CIO), 511

Poverty boundaries, 146, 147

Preferential hiring, 489; *see also* Union security

President's Commission on Status of Women, 47

Private industrial pensions, 135–37; *see also* Wages

Procter and Gamble Company guaranteed employment plan, 137

Progressive Citizens of America, 512

Public Resolution No. 44, 550

Pullman Strike, 1894, 350

R

Railroad Adjustment Board, 547

Railroad Arbitration Act of 1963, 548

Railroad Executives' Association, 416

Railroad Retirement Board, 21

Railway Labor Act of 1926, 547–48; *see also* Labor relations law

Record Industry Association of America, 521

Republic Steel Corporation, 352

Republican Party, 516–18

Restraint of trade doctrine, 540–41

Retirement expectancy, U.S., 287–88

Right-to-work laws, 571–72; *see also* Labor relations law

S

Schechter Poultry Company v. U.S., 551 n

Scrip, 585–86

Seniority

arguments pro and con, 204–12

in nonunion firms, 211–12

prevalence of, 211–12

rules on loss of, 212

types of, 207–8

Services industries

defined, 32–33

employment in, 33

Sherman Antitrust Act of 1890, 456, 541–42, 545; *see also* Labor relations law

Siderographers Union, 377

Social sciences, 1–2

Social Security Administration, 610

Social security legislation

analyzed, 614–15

early old age annuities in Europe, 608–9

Social security legislation—*Cont.*

- federal anti-depression and poverty legislation, 606-8
- federal Old Age, Survivors, Disability and Health Insurance, 609-11
- federal sickness and disability legislation, 612-14
- federal unemployment compensation provisions, 602-4
- state old age pension laws, 609
- state sickness and disability laws, 612
- state unemployment compensation laws, 604-6
- workmen's compensation legislation, 600-602

Socialist Labor Party, U.S., 350

Socialist Party, U.S., 350

Speedup, 199

Standard Oil Company of New York, 530

Steel Companies Coordinating Committee, 531

Stretch-out, 199

Strikes

- calling of, 447
 - causes classified, 447-48
 - costs of, 448-52
 - and Mohawk Valley strike-breaking formula, 461
 - nature of, 441-42
 - types of, 442-44
- Studebaker Corporation, 94
- Substantive labor law
- nature of, 10, 578
 - state and federal, 579-618
- Subversive Activities Control Board, 560
- Sunspots cycle theory, 260; *see also* Employment theory
- Sweetheart contract, 401
- Swift and Company, 95

T

Taft-Hartley (Labor-Management Relations) Act of 1947, 413, 443, 444, 456, 458, 481, 488, 489, 491, 496, 512, 513, 514; *see also* Labor relations law

Section 14b, 490, 572

Teamsters Union, 353, 354, 364, 369, 377, 388-89, 392, 397, 512, 528

Trade Expansion Act of 1962, 607

Trades Union Congress, England, 107

U

Unemployed defined, 16-17, 226-27; *see also* Labor force

Unemployment

- age and unemployment incidence, 251
- and automation, 241-44
- average duration of, 233-34
- costs of, 222-25

Unemployment—*Cont.*

- cyclical, 245-47
 - effects on family income, 1957-58, 224-25
 - effects on worker attitudes, 1930's, 225
 - extent of, 1929-1968, 227-30
 - in four postwar recessions, 233
 - frictional, 235-36
 - industrial incidence of, 247-49
 - nature of, 220-22
 - normal, 230-31
 - occupational incidence, 252-53
 - racial incidence of, 249-51
 - regional incidence of, 249-51
 - seasonal, 236-38
 - sex and unemployment incidence, 252
 - structural, 244-45
 - technological, 238-44
- Unemployment compensation acts; *see* Social security legislation
- Union of Federal Post Office Clerks, 520-21
- Union government
- accounting for funds, 394
 - city and state bodies, 387
 - congressional findings on, 396-97
 - and corruption, 400-3
 - and democracy, 394-400
 - expenditures, 393-94
 - financial aspects of, 389-94
 - and the local union, 374-76
 - and minor federations, 388-89
 - and the national or international union, 376-82
 - private studies of, 397-400
 - sources of funds, 389-91
- Union-management cooperation
- future possibilities of, 639-41
 - history of, 639-40
- Union security
- and the agency shop, 491
 - attitudes toward, 495-501
 - and the checkoff, 491-92
 - and the closed shop, 488-89
 - and formal devices in the U.S., 487-93
 - and maintenance of membership, 490-91
 - nature of, 484-87
 - and preferential hiring, 489
 - prevalence of formal devices, 492-95
 - pro and con arguments, 499-501
 - threats to, 485-87
 - and the union shop, 489-90
- Union shop; *see* Union security
- Union shop deauthorization poll, 496-98
- Unionism
- business unionism, 322
 - the counterrevolution, 326-27
 - craft, 364

Unionism—*Cont.*

- dependent or company, 323
- general, 364
- industrial, 364
- predatory, 323
- revolutionary, 322
- uplift, 322
- and white-collar employees, 360–63
- Unions; *see* Labor unions
- United Auto Workers, 94, 95, 119, 136–37, 141, 352, 353, 354, 369, 377, 388–89, 390, 398, 403, 422, 434, 490, 512, 526, 527, 528
- United Mine Workers, 95, 159, 237, 354, 364, 391, 512
- United States Steel Corporation, 166, 530
- United Steel Workers, 135, 141, 183, 352, 377, 381, 390, 392, 395, 531
- United Textile Workers, 353
- United Transportation Union, 1969, 360
- University of Michigan School of Social Work, 224–25
- U.S. v. *Archie Brown*, 563
- U.S. v. *Hutcheson*, 546
- U.S. v. *Workingmen's Amalgamated Council of New Orleans*, 542 n
- U.S. Department of Agriculture, 17
- U.S. Department of Commerce, 131, 286, 287, 354, 365, 448 n, 609 n
- U.S. Department of Health, Education and Welfare, 609 n
- U.S. Department of Labor, 47, 111, 124, 125, 136, 144, 145, 147, 155 n, 160 n, 163, 167, 168, 171, 190, 197, 229, 255, 297, 299, 300, 301, 354, 358 n, 366, 377 n, 381, 388, 428, 430 n, 448 n, 451, 453, 583–84, 596 n, 619
- U.S. Government Printing Office, 124, 587, 609 n
- U.S. Savings and Loan League, 521

W

- Wage and Hour Administrator, 581
- Wage and Hour Division, 521
- Wage legislation
 - economic effects of minimum wage laws, 583–85
 - federal methods of wage payment laws, 585–86
 - federal minimum wage laws, 580–83
 - state methods of wage payment laws, 586
 - state minimum wage laws, 579–80
- Wage and price guidelines, 106–8
- Wage structure, uniformity determinants of, 92–93
- Wage theory
 - bargaining theory, 70–74

Wage theory—*Cont.*

- interdisciplinary theory needed, 78–80
- marginal productivity v. bargaining theory, 72–74
- marginal productivity theory, 60–70
- present state of, 74–80
- range theory, 84–88
- Ricardo on, 57–58
- Smith on, 55–57
- subsistence theory of, 54–55
- wages fund theory of, 58–60
- Wages
 - adequacy, trends in, 142–47
 - age, sex, and race differentials, 127–30
 - annual productivity increase, 148–49
 - and bargaining power, 70–72
 - composition, shifts in, 130–39
 - determinants of bargaining limits, 88–98
 - determination in unorganized markets, 98–101
 - differentials explained by Adam Smith, 56
 - differentials trends summarized, 129–30
 - durable versus nondurable manufacturing, 123–24
 - and escalator clauses, 148
 - “fair wages,” 88
 - farm versus nonfarm, 121–22
 - fringe benefits
 - causal factors, 135–36
 - defined, 130–31
 - economic nature of, 138–39
 - as percent of payroll in 1967, 134
 - in the steel industry, 1968, 135
 - trends in, 1947–67, 133
 - geographic differentials, 124–27
 - governmental influence on, 105–8, 578–87
 - and gross national product, 73–74
 - guaranteed annual wages, 137–38
 - hourly rates of in manufacturing, 1909–1968, 112–13
 - incentive wages
 - nature and purpose of, 139–42
 - union attitude toward, 140–41
 - interindustry differentials, 121–24
 - and job evaluation, 101–4
 - limits on union power over, 79
 - manual v. white-collar, 116–17
 - money v. real, trends in, 111–14
 - and national income, 51, 115–16
 - nature of, 51–54
 - North/South differentials, 124–27
 - occupational differentials, 116–21
 - in organized versus unorganized markets, 98 n
 - in postwar recessions, 149–50

Wages—*Cont.*

- and private industrial pensions, 135–37
- and profit maximization, 74–75
- and range of practical bargaining, 85–86
- regional trends in, 1951–66, 125
- requisites for real wage increases, 68–69
- short-run determinants summarized, 108–9
- short-run limits on, 59
- skilled versus unskilled, 119–20
- supplements, trends in, 131–32
- and union bargaining arguments, 96–98
- unions and interindustry differentials, 122–23
- upper and lower limits on, 79
- and value added by manufacturing, 72
- wage rates versus labor cost, 78
- weekly earnings in manufacturing, 1909–1968, 112
- and workers' control over, 53
- Wagner (National Labor Relations) Act of 1935; *see* Labor relations law
- Wall Street Journal, 465 n, 601 n
- Walsh-Healy Act of 1936, 105, 106, 580–81
- Washington, Virginia, and Maryland Coach Co. v. NLRB, 553 n
- West Coast Hotel v. Parrish, 579 n
- Western Electric's Hawthorne Plant, 199

Women

- and cyclical unemployment, 252
- and "equal pay for equal work," 594–95
- in labor force, 23–25
- Working class
 - characteristics of, 38–40
 - composition of, 3–4, 35–36
 - sources of recruits, 36–38
- Working conditions
 - economic aspects, 191–94
 - and grievance machinery, 213–17
 - and improvements by employers, 193–94
 - opposition to change by employer, 192
 - physical aspects of, 194–96
 - and resistance to technological change, 203–4
 - and work pace, 199–203
 - and worker advancement and security, 204–13
 - and worker discipline, 216–17
- Working conditions legislation, state laws, 589–90
- Working hours; *see* Hours of work
- Workingmen's parties, 340–41
- Workmen's compensation laws; *see* Social security legislation

Y

- Yellow dog contract, 413, 462, 549 n

This book has been set in 10 and 9 point Caledonia, leaded 2 points. Part numbers are in 16 and 30 point Helvetica Medium and part titles are in 24 point Helvetica Regular. Chapter numbers are in 30 point Helvetica Medium and chapter titles are in 16 point Helvetica Medium. The size of the type page is 27 by 46 picas.

Date Due

[illegible]

HD
4901
• M86
1970

MOREANT
Lat
[by]
MORE

331
M8472
1970

